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LAW OFFICES
MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

10 LIGHT STREET
BALTIMORE, MARYLAND 21202-1487

TELEPHONE 410-727-6464

FAX 410-385-3700

30 WEST PATRICK STREET
FREDERICK, MD 21701-6903

22 WEST JEFFERSON STREET
ROCKVILLE, MD 20850-4286

600 WASHINGTON AVENUE
TOWSON, MD 21204-3965

300 ACADEMY STREET
CAMBRIDGE, MD 21613-1865

101 BAY STREET
EASTON, MD 21601-2718

11350 RANDOM HILLS ROAD
FAIRFAX, VA 22030-7429

JOHN A. STALFORD
410-385-3424

1450 G STREET, N.W.
WASHINGTON, D.C. 20005-2201

August 30, 1995

19585

RECORDATION NO.

FILED

SEP 1 1995 - 10 22 AM

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INTERSTATE COMMERCE COMMISSION

LICENSING BRANCH

SEP 1 10 16 AM '95

RECEIVED
OFFICE OF THE
SECRETARY

via DHL WORLDWIDE EXPRESS

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423
Attention: Mrs. Janice Fort

Re: Our File No.: C605-004

Dear Mrs. Fort:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. § 11303 are one original and one notarized copy of the following document:

Financing and Security Agreement dated December 20, 1994 by and between Yorkrail, Inc. (96 S. George Street, 4th Floor, York, Pennsylvania 17401) and The York Bank and Trust Company (P.O. Box 869, York, Pennsylvania 17405-0869)

Also enclosed for recordation as a secondary document pursuant to the provisions of 49 U.S.C. § 11303 are one original and one notarized copy of the following document:

Amendment to Financing and Security Agreement dated August 25, 1995 by and between Yorkrail, Inc. (96 S. George Street, 4th Floor, York, Pennsylvania 17401) and The York Bank and Trust Company (P.O. Box 869, York, Pennsylvania 17405-0869) which relates to the Financing and Security Agreement dated December 20, 1994 by and between YorkRail, Inc. (96 S. George Street, 4th Floor, York, Pennsylvania 17401) and The York Bank and Trust Company (P.O. Box 869, York, Pennsylvania 17405-0869) referenced above

I have enclosed two checks to cover the recordation costs, each in the amount of \$21.00.

Once these documents have been recorded, please return the same to: John A. Stalfort, Esquire, Miles & Stockbridge, A Professional Corporation, 10 Light Street, 9th Floor, Baltimore, Maryland 21202.

Thank you for your prompt attention to this matter. Please call me at (410) 385-3425 if you have any questions.

Sincerely,

John A. Stalfort/ms
John A. Stalfort

JAS:mes
Enclosures

RECORDATION NO. **19585** FILED 1425

SEP 1 1995 - 10 20 AM

INTERSTATE COMMERCE COMMISSION

STATE OF MARYLAND, COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY that the attached Financing and Security Agreement is a true and complete copy of said Financing and Security Agreement.

WITNESS my hand and seal this 30th day of August, 1995.



Joan F. Birnbaum
Notary Public

My Commission Expires: 6/24/97

FINANCING AND SECURITY AGREEMENT

1 1995 -10 28 AM

THIS FINANCING AND SECURITY AGREEMENT (~~INTERSTATE AGREEMENT~~) is made this 20th day of December, 1994, by and between YORKRAIL, INC., a corporation organized under the laws of the State of Delaware (the "Borrower") and THE YORK BANK AND TRUST COMPANY, a Pennsylvania state banking corporation (the "Lender").

RECITALS

A. The Borrower has applied to the Lender for a term loan in an amount not to exceed _____ to be used by the Borrower to acquire certain locomotives and to finance certain capital projects by the Borrower or one or more of its Affiliates.

B. The Lender is willing to make the term loan available to the Borrower upon the terms and subject to the conditions hereinafter set forth.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lender hereby agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1 Certain Defined Terms. As used in this Agreement, the terms defined in the Preamble and Recitals hereto shall have the respective meanings specified therein, and the following terms shall have the following meanings:

"Account" individually and "Accounts" collectively mean all presently existing or hereafter acquired or created accounts, accounts receivable, contract rights, notes, drafts, instruments, acceptances, chattel paper, leases and writings evidencing a monetary obligation or a security interest in or a lease of goods, all rights to receive the payment of money or other consideration under present or future contracts (including, without limitation, all rights to receive payments under presently existing or hereafter acquired or created letters of credit), or by virtue of merchandise sold or leased, services rendered, loans and advances made or other considerations given, by or set forth in or arising out of any present or future chattel paper, note, draft, lease, acceptance, writing, bond, insurance policy, instrument, document or general intangible, and all extensions and renewals of any thereof, all rights under or arising out of present or future contracts, agreements or general interest in merchandise which gave rise to any or all of the foregoing, including all goods, all claims or causes of action now existing or hereafter arising in

connection with or under any agreement or document or by operation of law or otherwise, all collateral security of any kind (including real property mortgages) given by any person with respect to any of the foregoing and all proceeds (cash and non-cash) of the foregoing.

"Affiliate" means, with respect to the Borrower, any Person, directly or indirectly controlling, directly or indirectly controlled by, or under direct or indirect common control with the Borrower, as the case may be.

"Affiliate Notes" has the meaning described in Section 2.2(c).

"Agreement" means this Financing and Security Agreement and all amendments, modifications and supplements hereto which may from time to time become effective in accordance with the provisions of Section 10.1 hereof.

"Assets" means, at any time, all assets that should, in accordance with GAAP consistently applied, be classified as assets on a balance sheet of the Borrower.

"Banking Day" means any day that is not a Saturday, Sunday or banking holiday in the State.

"Cash Equivalents" means (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit with maturities of one (1) year or less from the date of acquisition of, or money market accounts maintained with, the Lender or any other domestic commercial bank having capital and surplus in excess of

or such other domestic financial institutions or domestic brokerage houses to the extent disclosed to, and approved by, the Lender and (c) commercial paper of a domestic issuer rated at least either A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc. with maturities of six (6) months or less from the date of acquisition.

"Collateral" means so many of the Locomotives as shall be acquired by the Borrower, the Affiliate Notes, and all of the Borrower's Accounts, chattel paper, Equipment, General Intangibles, documents, instruments and Inventory (whether or not designated with initial capital letters), as those terms are defined in the Uniform Commercial Code as presently adopted and in effect in the State and shall also cover, without limitation, (i) any and all property specifically included in those respective terms in this Agreement or in the Financing Documents and (ii) all proceeds (cash and non-cash, including, without limitation, insurance proceeds) of the foregoing.

"Collateral Account" has the meaning described in Section 7.23.

"Collection" means each check, draft, cash, money, instrument, item, and other remittance in payment or on account of payment of the Accounts or otherwise with respect to any Collateral, including, without limitation, cash proceeds of any returned, rejected or repossessed goods, the sale or lease of which gave rise to an Account, and other proceeds of Collateral; and "Collections" means the collective reference to all of the foregoing.

"Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code.

"Default" has the meaning described in Article IX.

"Documents" means all documents and documents of title, whether now existing or hereafter acquired or created, and all proceeds (cash and non-cash of the foregoing).

"Enforcement Costs" means all expenses, charges, costs and fees whatsoever (including, without limitation, attorney's fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Lender in connection with (a) the collection or enforcement of any or all of the Obligations, (b) the preparation of or changes to this Agreement, the Note, the Security Documents and/or any of the other Financing Documents, (c) the creation, perfection, collection, maintenance, preservation, defense, protection, realization upon, disposition, sale or enforcement of all or any part of the Collateral, including, without limitation, those sums paid or advanced, and costs and expenses, more specifically described in Section 10.8, and (d) after an Event of Default, the monitoring, administration, processing and/or servicing of any or all of the Obligations and/or the Collateral.

"Equipment" means all equipment, machinery, furniture and fixtures and supplies of every nature, presently existing or hereafter acquired or created and wherever located, together with all accessions, additions, fittings, accessories, special tools, and improvements thereto and substitutions therefor and all parts and equipment which may be attached to or which are necessary for the operation and use of such personal property, whether or not the same shall be deemed to be affixed to real property, and all rights under or arising out of present or future contracts relating to the foregoing and all proceeds (cash and non-cash) of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" means an event which, with the giving of notice or lapse of time, or both, could or would constitute a Default under the provisions of this Agreement.

"Financing Documents" means at any time collectively this Agreement, the Note, the Security Documents, and any other instrument, agreement or document previously, simultaneously or hereafter executed and delivered by the Borrower and/or any other Person, singly or jointly with another Person or Persons, evidencing, securing, guarantying or in connection with any of the Obligations and/or in connection with this Agreement, the Note, any of the Security Documents, the Loan, and/or any of the Obligations.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"General Intangibles" means all general intangibles of every nature, whether presently existing or hereafter acquired or created, including without limitation all books, correspondence, credit files, records, computer programs, computer tapes, cards and other papers and documents in the possession or control of either Borrower, claims (including without limitation all claims for income tax and other refunds), choses in action, contract rights, judgments, patents, patent licenses, trademarks, trademark licenses, licensing agreements, rights in intellectual property, goodwill (including all goodwill of the Borrowers' business symbolized by and associated with any and all trademarks, trademark licenses, copyrights and/or service marks), royalty payments, contractual rights, rights as lessee under any lease of real or personal property, literary rights, copyrights, service names, service marks, logos, trade secrets, all amounts received as an award in or settlement of a suit in damages, deposit accounts, interests in joint ventures or general or limited partnerships, rights in applications for any of the foregoing, and all proceeds (cash and non-cash) of the foregoing.

"Guarantors" means, collectively, Emons Transportation Group, Inc. and Maryland and Pennsylvania Railroad Company, and their respective successors and assigns.

"Guaranty" means that certain guaranty of payment for the benefit of the Lender dated the date hereof to the Lender from the Guarantors, as the same may from time to time be amended, restated, supplemented or otherwise modified.

"Hazardous Materials" means (a) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as

amended from time to time, and regulations promulgated thereunder; (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (c) any substance the presence of which on any property now or hereafter owned or acquired by the Borrower is prohibited by any Law similar to those set forth in this definition; and (d) any other substance which by Law requires special handling in its collection, storage, treatment or disposal.

"Hazardous Materials Contamination" means the contamination (whether presently existing or occurring after the date of this Agreement) by Hazardous Materials of any property owned, operated or controlled by the Borrower or for which the Borrower has responsibility, including, without limitation, improvements, facilities, soil, ground water, air or other elements on, or of, any property now or hereafter owned or acquired by the Borrower, and any other contamination by Hazardous Materials for which the Borrower is, or is claimed to be, responsible.

"Indebtedness" of a Person means at any date the total liabilities of such Person at such time determined in accordance with GAAP consistently applied.

"Indebtedness for Borrowed Money" of a Person, at any time means the sum at such time of (a) indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (b) any obligations of such Person in respect of letters of credit, banker's or other acceptances or similar obligations issued or created for the account of such Person, (c) lease obligations of such Person which have been or should be, in accordance with GAAP, capitalized on the books of such Person, (d) all liabilities secured by any Lien on any property owned by such Person, to the extent attached to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, and (e) any obligation of such Person or a commonly controlled entity to a multiemployer plan (as those terms are used under applicable ERISA statutes and regulations).

"Inventory" means all inventory of the Borrower, including, without limitation all packing, shipping, advertising, and promotional materials, and all documents of title or documents representing the same, all general intangibles necessary or beneficial for the disposition of the same, and all proceeds (cash and non-cash) of the foregoing.

"Items of Payment" means each check, draft, cash, money, instrument, item, and other remittance in payment or on account of payment of the Accounts or otherwise with respect to any Collateral, including, without limitation, cash proceeds of any returned, rejected or repossessed Goods, the sale or lease of which gave rise to an Account, and other proceeds or products of

Collateral; and "Items of Payment" means the collective reference to all of the foregoing.

"Law" or "Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs, or decrees of any Governmental Authority or political subdivision or agency thereof, or any court or similar entity established by any thereof.

"Liabilities" means, at any time, all liabilities that should, in accordance with GAAP consistently applied, be classified as liabilities on a balance sheet of the Borrower.

"Lien" means any mortgage, deed of trust, deed to secure debt, grant, pledge, security interest, assignment, encumbrance, judgment, lien or charge of any kind, whether perfected or unperfected, avoidable or unavoidable, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction, excluding the precautionary filing of any financing statement by any lessor in a true lease transaction, by any bailor in a true bailment transaction or by any consignor in a true consignment transaction under the Uniform Commercial Code of any jurisdiction or the agreement to give any financing statement by any lessee in a true lease transaction, by any bailee in a true bailment transaction or by any consignee in a true consignment transaction.

"Loan" has the meaning described in Section 2.1.

"Locomotives" means 6 locomotives presently owned by the Maryland and Pennsylvania Railroad Company and 4 locomotives presently owned by Emons Railroad Group, Inc. as described on EXHIBIT F attached hereto, together with (a) all additions, parts, fittings, accessories, special tools, attachments and accessions now and hereafter affixed thereto and/or used in connection therewith, (b) all replacements thereof and substitutions therefor, and (c) all cash and non-cash proceeds and products thereof.

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Worth" means, at any time, the excess of (a) Assets, over (b) Liabilities.

"Note" has the meaning described in Section 2.1, and any other promissory note which may from time to time evidence the Obligations.

"Obligations" means all present and future indebtedness, obligations, and liabilities, whether now existing or contemplated or hereafter arising, of the Borrower to the Lender under, arising

pursuant to, in connection with and/or on account of the provisions of this Agreement, the Note, each Security Document, and any of the other Financing Documents, or the Loan, including, without limitation, the principal of, and interest on, the Note, late charges, Enforcement Costs, and other prepayment penalties (if any), letter of credit fees or fees charged with respect to any guaranty of any letter of credit, and also means all other present and future indebtedness, liabilities and obligations, whether now existing or contemplated or hereafter arising, of the Borrower to the Lender of any nature whatsoever regardless of whether such debts, obligations and liabilities be direct, indirect, primary, secondary, joint, several, joint and several, fixed or contingent; and any and all renewals, extensions and rearrangements of any such debts, obligations and liabilities.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Liens" means: (a) Liens for Taxes which are not delinquent or which the Lender has determined in the exercise of its sole and absolute discretion (i) are being diligently contested in good faith and by appropriate proceedings, (ii) the Borrower has the financial ability to pay, with all penalties and interest, at all times without materially and adversely affecting the Borrower, and (iii) are not, and will not be with appropriate filing, the giving of notice and/or the passage of time, entitled to priority over any Lien of the Lender; (b) deposits or pledges to secure obligations under workers' compensation, social security or similar laws, or under unemployment insurance in the ordinary course of business; (c) Liens in favor of the Lender; (d) judgment Liens to the extent the entry of such judgment does not constitute an Event of Default under the terms of this Agreement or result in the sale of, or levy of execution on, any of the Collateral; (e) any purchase money security interests which arise in connection with the purchase of Equipment and are limited to the cost of such Equipment; (f) any mechanics' liens which do not materially adversely affect the Collateral and which are being contested in good faith and by proper proceedings; (g) the encumbrances set forth in the Commitment for Title Insurance issued on December 2, 1994 by Fidelity National Title Insurance Company of Pennsylvania, as updated to the date of this Agreement; and (h) such other Liens, if any, as are set forth on EXHIBIT D attached hereto and made a part hereof.

"Person" means and includes an individual, a corporation, a partnership, a joint venture, a trust, an unincorporated association, a government or political subdivision or agency thereof or any other entity.

"Post-Default Rate" means the greater of (a) per annum in excess of the otherwise applicable rate on the Loan, or (b) per annum in excess of the Prime Rate.

"Prime Rate" means the greater of (a) the floating and fluctuating per annum prime rate of interest of the Lender established and declared by the Lender at any time or from time to time, which rate of interest may or may not constitute the lowest rate of interest charged by the Lender to borrowers, or (b) the average rate, rounded to the nearest one-tenth of one percent (.1%), for ninety (90) day maturity dealer placed commercial paper for the week most recently reported in the Federal Reserve Statistical Release No. H.15 (519), entitled "Selected Interest Rates" (or any succeeding publication); provided, however, that if such rates shall cease to be published, the Lender may select in its sole and absolute discretion a comparable index as a successor source for such rates. All interest at the Prime Rate or computed thereon shall be adjusted on any date on which a change occurs in the Prime Rate.

"Receivable" means either of the Borrowers' now owned and hereafter owned, acquired or created accounts, chattel paper, general intangibles and instruments and "Receivables" means all of the Borrowers' now or hereafter owned, acquired or created accounts, chattel paper, general intangibles and instruments, and all cash and non-cash proceeds and products thereof.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder.

"Responsible Officer" means the chief executive officer of the Borrower or the president of the Borrower or, with respect to financial matters, the chief financial officer of the Borrower.

"Security Documents" means collectively any assignment, pledge agreement, security agreement, mortgage, deed of trust, deed to secure debt, financing statement and any similar instrument, document or agreement under or pursuant to which a Lien is now or hereafter granted to, or for the benefit of, the Lender on any collateral to secure the Obligations, as the same may from time to time be amended, restated, supplemented or otherwise modified.

"Senior Management" shall be deemed to refer to the following executive positions: President and Chairman of the Board.

"State" means the Commonwealth of Pennsylvania.

"Subordinated Debt" means, collectively, (a) that certain Indebtedness for Borrowed Money of the Borrower in favor of Emons Railroad Group, Inc., in the principal amount of , and (b) that certain Indebtedness for Borrowed Money of the Borrower in favor of Maryland and Pennsylvania Railroad Company in the principal amount of

"Subordinated Indebtedness" means the Subordinated Debt and all other Indebtedness incurred at any time by the Borrower, the repayment of which is subordinated to the Obligations by a written agreement in form and substance satisfactory to the Lender in its sole and absolute discretion.

"Subsidiary" means any corporation the majority of the voting shares of which at the time are owned directly by the Borrower and/or by one or more Subsidiaries of the Borrower.

"Tangible Net Worth" means, at any time, the Net Worth less the total of (a) all assets which would be classified as intangible assets under GAAP (including accounts receivable due from St. Lawrence & Atlantic Railroad Company, Emons Transportation Group, Inc. and Emons Railroad Group, Inc.), (b) leasehold improvements, (c) applicable reserves, allowances and other similar properly deductible items to the extent such reserves, allowances and other similar properly deductible items have not been previously deducted by the Lender in the calculation of Net Worth, and (d) any revaluation or other write-up in book value of assets subsequent to the date of the most recent financial statements delivered to the Lender.

"Taxes" means all taxes and assessments whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character (including all penalties or interest thereon), which at any time may be assessed, levied, confirmed or imposed by any Governmental Authority on the Borrower or any of its properties or assets or any part thereof or in respect of any of its franchises, businesses, income or profits.

SECTION 1.2 Accounting Terms and Other Definitional Provisions. Unless otherwise defined herein, as used in this Agreement and in any certificate, report or other document made or delivered pursuant hereto, accounting terms not otherwise defined herein, and accounting terms only partly defined herein, to the extent not defined, shall have the respective meanings given to them under GAAP. Unless otherwise defined herein, all terms used herein which are defined by the applicable Uniform Commercial Code shall have the same meanings as assigned to them by the applicable Uniform Commercial Code unless and to the extent varied by this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are references to sections or subsections of, or schedules or exhibits to, as the case may be, this Agreement unless otherwise specified. As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require. Reference to any one or more of the Financing Documents and any of the Financing Documents shall mean the same as

the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

ARTICLE 2

BORROWING

SECTION 2.1 The Loan. (a) The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender a principal sum not to exceed (the "Loan"). The obligation of the Borrower to repay the Loan shall be evidenced by the Borrower's Promissory Note of even date herewith (the "Note") payable to the Lender in the form attached hereto as EXHIBIT A. The Note shall bear interest and shall be repaid by the Borrower in the manner and at the times set forth in the Note.

(b) The proceeds of the Loan shall be used by the Borrower for the purposes set forth in Section 2.2, and, unless prior written consent of the Lender is obtained, for no other purpose.

(c) The Borrower may prepay the principal sum outstanding on the Loan only in accordance with the terms of the Note. Sums borrowed and repaid may not be readvanced.

SECTION 2.2 Loan Procedure. (a) Each advance under the Loan shall be in an amount of not less than The Borrower shall give the Lender at least two (2) Banking Days' notice of each proposed advance.

(b) An amount not to exceed of the proceeds of the Loan will be used by the Borrower to acquire up to (a) 4 of the Locomotives from Emons Railroad Group, Inc., and (b) 6 of the Locomotives from the Maryland and Pennsylvania Railroad Company which will then be leased back to the Maryland and Pennsylvania Railroad Company by the Borrower. The balance of the proceeds of the Loan (not to exceed) will be used by the Borrower to finance certain capital projects by the Borrower or one or more of its Affiliates to facilitate rail traffic and related transaction expenses and for the payment of taxes as described below in subparagraph (c). Upon the Borrower's acquisition of any Locomotives from the Maryland and Pennsylvania Railroad Company, the Borrower will execute and deliver to the Lender an assignment of lessor's interest in leases in the form attached hereto as EXHIBIT H and deliver to the Lender the original lease between the Maryland and Pennsylvania Railroad Company and the Borrower or a memorandum thereof. The Lender shall have the right to record, at the Borrower's expense, such assignment and lease or memorandum thereof with the Interstate Commerce Commission. Upon the Borrower's acquisition of any Locomotives, the Borrower will execute and deliver to the Lender (x) an amendment to this

Agreement in the form attached hereto as EXHIBIT I and (y) amendments to financing statements in the form attached hereto as EXHIBIT J. The Lender shall have the right, at the Borrower's expense, to record such amendments in the appropriate recording offices to perfect the Lender's security interests in such Locomotives.

(c) After of the proceeds of the Loan have been advanced, the Borrower must provide to the Lender as a condition precedent to any further advances the originals of the promissory notes made by the Affiliates of the Borrower payable to the Borrower evidencing loans made by the Borrower to such Affiliates (the "Affiliate Notes") and collateral assignments of the Affiliate Notes in the form attached hereto as EXHIBIT B; provided, however, an amount not to exceed may be advanced in October, 1995 to be used by the Borrower, or advanced by the Borrower to the Borrower's Affiliates, to pay Pennsylvania taxes due in connection with the Borrower's acquisition of the Locomotives. All advances of the proceeds of the Loan must be made on or before March 1, 1996. After such date, to the extent that less than has been advanced by the Lender under the Loan, the Lender shall have no obligation to advance such amount.

SECTION 2.3 Transactions under this Agreement Between the Borrower and the Lender. In respect to any advance and all other matters under or in connection with this Agreement and any transactions contemplated hereby, the Borrower authorizes the Lender to accept, rely upon, act upon and comply with, any verbal or written instructions, requests, confirmations and orders of any employee or representative of the Borrower designated by the Borrower in writing delivered to the Lender from time to time. The Borrower acknowledges that the transmission between the Borrower and the Lender of any such instructions, requests, confirmations and orders involves the possibility of errors, omissions, mistakes and discrepancies and agrees to adopt such internal measures and operational procedures to protect its interests. By reason thereof, the Borrower hereby assumes all risk of loss and responsibility for, release and discharge the Lender from any and all responsibility or liability for, and agrees to indemnify, reimburse on demand and hold the Lender harmless from, any and all claims, actions, damages, losses, liability and expenses by reason of, arising out of or in any way connected with or related to, (a) the Lender's acceptance, reliance and actions upon, compliance with or observation of any such instructions, requests, confirmations or orders, and (b) any such errors, omissions, mistakes and discrepancies, except those caused by the Lender's gross negligence or willful misconduct.

SECTION 2.4 Automatic Debit. The Borrower hereby authorizes and gives permission to the Lender to automatically withdraw from the Borrower's account (Account Number 051-984-307)

with the Lender payments due on the Loan on the payment dates specified in the Note.

ARTICLE 3

COLLATERAL

As security for the payment of all of the Obligations, the Borrower hereby assigns, grants and conveys to the Lender and agrees that the Lender shall have a perfected, continuing security interest in all of the Collateral. The Borrower further agrees that the Lender shall have in respect of the Collateral all of the rights and remedies of a secured party under the applicable Uniform Commercial Code and under other applicable Laws and Security Documents, as well as those provided in this Agreement. The Borrower covenants and agrees to execute and deliver such financing statements and other instruments and filings as are necessary in the opinion of the Lender to perfect such security interest. Notwithstanding the fact that the proceeds of the Collateral constitute a part of the Collateral, the Borrower may not dispose of the Collateral, or any part thereof, other than in the ordinary course of its business or as otherwise may be permitted by this Agreement.

The Borrower may grant a security interest in less than all of the Locomotives if the Borrower elects to request less than of the proceeds of the Loan to be used to acquire the Locomotives in which event the Borrower shall grant a security interest in a Locomotive for each of Loan proceeds used to acquire the Locomotives.

ARTICLE 4

UNCONDITIONAL OBLIGATIONS

The payment and performance by the Borrower of the Obligations shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Lender and the Borrower shall pay absolutely net all of the Obligations, free of any deductions and without abatement, diminution or set-off; and until payment in full of all of the Obligations, the Borrower: (a) will not suspend or discontinue any payments provided for in the Note; (b) will perform and observe all of its other agreements contained in this Agreement, including (without limitation) all payments required to be made to the Lender; and (c) will not terminate or attempt to terminate this Agreement for any cause.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

To induce the Lender to make the Loan, the Borrower represents and warrants to the Lender and, unless the Lender is notified by the Borrower of a change or changes effecting such representations and warranties, shall be deemed to represent and warrant to the Lender at the time each request for an advance under the Loans is submitted and again at the time any advance is made under the Loans that:

SECTION 5.1 Subsidiaries. The Borrower has no Subsidiaries.

SECTION 5.2 Good Standing. The Borrower (a) is a corporation duly organized, existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the corporate power to own its property and to carry on its business as now being conducted, and (c) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary.

SECTION 5.3 Power and Authority. The Borrower has full power and authority to execute and deliver this Agreement and each of the other Financing Documents executed and delivered by it, to make the borrowing hereunder, and to incur the Obligations, all of which have been duly authorized by all proper and necessary corporate action. No consent or approval of stockholders or of any public authority is required as a condition to the validity or enforceability of this Agreement or any of the other Financing Documents executed and delivered by the Borrower.

SECTION 5.4 Binding Agreements. This Agreement and each of the other Financing Documents executed and delivered by the Borrower have been properly executed by the Borrower, constitute valid and legally binding obligations of the Borrower, and are fully enforceable against the Borrower in accordance with their respective terms, subject to (a) bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally, (b) general principles of equity (regardless of whether such principles of equity are asserted in an action or proceeding at law or in equity) or the discretion of the court before which any action or proceeding may be brought and (c) other applicable laws which may limit the enforceability of certain of the remedial or procedural provisions contained in the Financing Documents.

SECTION 5.5 Litigation. There are no proceedings pending or, so far as the Borrower knows, threatened before any court or administrative agency which will materially adversely affect the

financial condition or operations of the Borrower, or the authority of the Borrower to enter into this Agreement or any of the other Financing Documents executed and delivered by the Borrower.

SECTION 5.6 No Conflicting Agreements. There is (a) no charter, by-law or preference stock provision of the Borrower and no provision of any existing mortgage, indenture, contract or agreement binding on the Borrower or affecting its property, and (b) to the knowledge of the Borrower, no provision of law or order of court binding upon the Borrower, which would conflict with or in any way prevent the execution, delivery, or performance of the terms of this Agreement or of any of the other Financing Documents executed and delivered by the Borrower, or which would be violated as a result of such execution, delivery or performance.

SECTION 5.7 Financial Condition. The financial statements of Emons Transportation Group, Inc. and its consolidated subsidiaries dated June 30, 1994 are complete and correct and, in the opinion of the Borrower, fairly present the current financial condition of Emons Transportation Group, Inc. and its consolidated subsidiaries and have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. The financial statements of the Borrower dated September 30, 1994 are complete and correct and, in the opinion of the Borrower, fairly present the current financial condition of the Borrower. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which have not been disclosed to the Lender by the Borrower. There has been no material adverse change in the financial condition or operations of the Borrower since the date of such financial statements (and to the Borrower's knowledge, no such adverse change is pending or threatened), and the Borrower has not guaranteed the obligations of, or made any investments in or advances to, any company, individual or other entity except as disclosed in such financial statements.

SECTION 5.8 Taxes. The Borrower has filed or has caused to have been filed all federal, state and local tax returns which, to the knowledge of the Borrower, are required to be filed, and has paid or caused to have been paid all taxes as shown on such returns or on any assessment received by it, to the extent that such taxes have become due, unless and to the extent only that such taxes, assessments and governmental charges are currently contested in good faith and by appropriate proceedings by the Borrower and adequate reserves therefor have been established by the Borrower as required under generally accepted accounting principles. The Borrower has disclosed the existence of a resettlement (the "Resettlement") for utilities gross receipt tax from the State in the amount of

SECTION 5.9 Compliance With Law. The Borrower is not in violation of any law, ordinance, governmental rule or regulation to

which it is subject and the violation of which would have a material adverse effect on the conduct of its business, and the Borrower has obtained any and all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties and the conduct of its business.

SECTION 5.10 Place(s) of Business and Location of Collateral. The Borrower warrants that the address of the Borrower's chief executive office is as specified in EXHIBIT C attached hereto and made a part hereof and that the address of each other place of business of the Borrower, if any, is as disclosed to the Lender in EXHIBIT C. All books and records pertaining to the Collateral are and will be located at the address indicated on EXHIBIT C. The Borrower will immediately advise the Lender in writing of the opening of any new place of business or the closing of any of its existing places of business, and of any change in the location of the places where the Collateral, or any part thereof, or the books and records concerning the Collateral, or any part thereof, are kept. The proper and only places to file financing statements with respect to the Collateral within the meaning of the Uniform Commercial Code are the Prothonotary for York County, Pennsylvania, the Secretary of the Commonwealth of Pennsylvania, and the Recorder of Deeds for York County, Pennsylvania. A copy of a fully executed financing statement shall be sufficient to satisfy for all purposes the requirements of a financing statement as set forth in Article 9 of the applicable Uniform Commercial Code.

SECTION 5.11 Title to Properties. The Borrower has good and marketable title to all of its properties, including the Collateral, and the Collateral is free and clear of mortgages, pledges, liens, charges and other encumbrances other than the Permitted Liens.

SECTION 5.12 Margin Stock. None of the proceeds of the Loan will be used, directly or indirectly, by the Borrower for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry, any "margin security" within the meaning of Regulation G (12 CFR Part 207), or "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "margin security" and "margin stock") or for any other purpose which might make the transactions contemplated herein a "purpose credit" within the meaning of said Regulation G or Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934 or the Small Business Investment Act of 1958, as amended, or any rules or regulations promulgated under any of such statutes.

SECTION 5.13 ERISA. With respect to any "pension plan" as defined in Section 3(2) of ERISA, which plan is now or previously has been maintained or contributed to by the Borrower and/or by any

Commonly Controlled Entity: (a) no "accumulated funding deficiency" as defined in Code §412 or ERISA §302 has occurred, whether or not that accumulated funding deficiency has been waived; (b) no "reportable event" as defined in ERISA §4043 has occurred; (c) no termination of any plan subject to Title IV of ERISA has occurred; (d) neither the Borrower nor any Commonly Controlled Entity has incurred a "complete withdrawal" within the meaning of ERISA §4203 from any multiemployer plan; (e) neither the Borrower nor any Commonly Controlled Entity has incurred a "partial withdrawal" within the meaning of ERISA §4205 with respect to any multiemployer plan; (f) no multiemployer plan to which the Borrower or any Commonly Controlled Entity has an obligation to contribute is in "reorganization" within the meaning of ERISA §4241 nor has notice been received by the Borrower or any Commonly Controlled Entity that such a multiemployer plan will be placed in "reorganization".

SECTION 5.14 Governmental Consent. Neither the nature of the Borrower or of its business or properties, nor any relationship between the Borrower and any other entity or person, nor any circumstance in connection with the making of the Loan, or the offer, issue, sale or delivery of the Note is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority, on the part of the Borrower, as a condition to the execution and delivery of this Agreement or any of the other Financing Documents, the borrowing of the principal amounts of the Loan or the offer, issue, sale or delivery of the Note.

SECTION 5.15 Inventory. With respect to all Inventory of the Borrower, as reflected on the books and records of the Borrower, (a) such Inventory is of good and merchantable quality, free from defects, and (b) such Inventory is not stored with a bailee, warehouseman or similar party, and such Inventory is located at the place of business indicated on EXHIBIT C.

SECTION 5.16 Full Disclosure. The financial statements referred to in this Part V do not, nor does this Agreement, nor do any written statements furnished by the Borrower to the Lender in connection with the making of the Loan, contain any untrue statement of fact or omit a fact necessary to make the statements contained therein or herein not misleading. There is no fact which the Borrower has not disclosed to the Lender in writing which materially adversely affects or, will or could prove to materially adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform this Agreement.

SECTION 5.17 Presence of Hazardous Materials or Hazardous Materials Contamination. To the best of the Borrower's knowledge, (a) no Hazardous Materials are located on any real property owned, controlled or operated by the Borrower or for which the Borrower is responsible, except for reasonable quantities of necessary supplies

for use by the Borrower in the ordinary course of its current line of business and stored, used and disposed in accordance with applicable Laws and except for Hazardous Materials transported by the Borrower in the ordinary course of its current line of business (including temporary storage and transloading) and transported in accordance with applicable Laws; and (b) no property owned, controlled or operated by the Borrower has ever been used as a manufacturing, storage, or dump site for Hazardous Materials nor is affected by Hazardous Materials Contamination at any other property.

SECTION 5.18 Intellectual Property. All of the Borrower's patents, trademarks, service marks, trade names, copyrights and licenses are described in EXHIBIT G attached to and made a part of this Agreement. The Borrower owns or possesses all of the patents, trademarks, service marks, trade names, copyrights and licenses and all rights with respect thereto necessary for the present and planned future operation of its business, without any conflict with the rights of any other Person.

SECTION 5.19 Business Names and Addresses. In the five (5) years preceding the date hereof, the Borrower has not conducted business under any name other than its current name nor conducted its business in any jurisdiction other than those disclosed on EXHIBIT C attached hereto.

SECTION 5.20 No Default. There is no Event of Default (as hereinafter defined) and no event has occurred and no condition exists which with the giving of notice or the passage of time would constitute an Event of Default. The Borrower is not in default under the terms of any other agreement or instrument to which it may be a party or by which the Collateral or any of its properties may be bound or subject.

SECTION 5.21 Accounts. With respect to all Accounts and to the best of the Borrower's knowledge (a) they are genuine, and in all respects what they purport to be, and are not evidenced by a judgment, an instrument, or chattel paper (unless such judgment has been assigned and such instrument or chattel paper has been endorsed and delivered to the Lender); (b) they represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in the invoices and purchase orders relating thereto; (c) the goods sold (or services rendered) which resulted in the creation of the Accounts have been delivered or rendered to and accepted by the account debtor; (d) the amounts shown on the Borrower's books and records, with respect thereto are actually and absolutely owing to the Borrower and are not contingent for any reason; (e) except allowed by the Borrower in the ordinary course of its business, there are no set-offs, counterclaims or disputes known by the Borrower or asserted with respect thereto, and the Borrower has made no agreement with any account debtor thereof for any deduction or discount of the sum

payable thereunder; (f) there are no facts, events or occurrences known to the Borrower which in any way impair the validity or enforcement thereof or tend to reduce the amount payable thereunder; (g) all account debtors thereof, to the best of the Borrower's knowledge, have the capacity to contract; (h) the goods sold or transferred or the services furnished giving rise thereto are not subject to any liens except the security interest granted to the Lender by this Agreement; (i) the Borrower has no knowledge of any fact or circumstance which would materially impair the validity or collectibility thereof; and (j) there are no proceedings or actions known to the Borrower which are threatened or pending against any account debtor which might result in any material adverse change in its financial condition.

ARTICLE 6

CONDITIONS OF LENDING

The making of the Loan and any advance thereunder is subject to the following conditions precedent:

SECTION 6.1 Opinion of Counsel for the Borrower. On the date hereof, the Lender shall receive the favorable written opinion of counsel for the Borrower satisfactory in all respects to the Lender.

SECTION 6.2 Approval of Counsel for the Lender. All legal matters incident to the Loan and all documents necessary in the opinion of the Lender to make the Loan shall be satisfactory in all material respects to counsel for the Lender.

SECTION 6.3 Supporting Documents. The Lender shall receive on the date hereof: (a) a certificate of the Secretary of the Borrower, in a form acceptable to the Lender in all respects, dated as of the date hereof and certifying (i) that attached thereto is a true, complete and correct copy of resolutions adopted by the Board of Directors of the Borrower authorizing the execution and delivery of this Agreement, the Note and the other Financing Documents, and the Obligations, and (ii) as to the incumbency and specimen signature of the officers of the Borrower executing this Agreement, the Note and the other Financing Documents, and a certification by the President or any Vice President of the Borrower as to the incumbency and signature of the Secretary of the Borrower; (b) such other documents as the Lender may reasonably require the Borrower to execute, in form and substance acceptable to the Lender; and (c) such additional information, instruments, opinions, documents, certificates and reports as the Lender may reasonably deem necessary.

SECTION 6.4 Good Standing - Borrower. The Lender shall have received a certificate of good standing for the Borrower

certified by the Secretary of State, or other appropriate Governmental Authority, of the state of incorporation for the Borrower.

SECTION 6.5 Good Standing - Guarantors. The Lender shall have received a certificate of good standing for each of the Guarantors certified by the Secretary of State, or other appropriate Governmental Authority, of the state of incorporation for such Guarantor.

SECTION 6.6 Corporate Proceedings - Guarantors. The Lender shall have received a certificate dated as of the date of this Agreement by the Secretary or an Assistant Secretary of each of the Guarantors covering:

(a) true and complete copies of such Guarantor's corporate charter, bylaws, and all amendments thereto;

(b) true and complete copies of the resolutions of its Board of Directors authorizing the execution, delivery and performance of, the Guaranty; and

(c) the incumbency, authority and signatures of the officers of such Guarantor authorized to sign the Guaranty and all other Financing Documents to which such Guarantor is a party.

SECTION 6.7 Opinion of Counsel - Guarantors. The Lender shall have received the favorable opinion of counsel for the Guarantors addressed to the Lender in form satisfactory to the Lender.

SECTION 6.8 Financing Documents. All of the Financing Documents required by the Lender shall be executed, delivered and, if deemed necessary by the Lender, recorded, all at the sole expense of the Borrower.

SECTION 6.9 Insurance. The Borrower shall have satisfied the Lender that any and all insurance required by this Agreement is in effect as of the date of this Agreement, and that, to the extent required by the Financing Documents, the Lender has been named as an insured lienholder.

SECTION 6.10 Security Documents. In order to perfect the lien and security interest created by this Agreement, the Borrower shall have executed and delivered to the Lender all financing statements and Security Documents (in form and substance acceptable to the Lender in its sole discretion) deemed necessary by the Lender, in a sufficient number of counterparts for recordation, and, at the Borrower's sole expense, shall record all such

financing statements and Security Documents, or cause them to be recorded, in all public offices deemed necessary by the Lender.

SECTION 6.11 Compliance. At the time of the making of each advance hereunder (a) the Borrower shall have complied and shall then be in compliance with all the terms, covenants and conditions of this Agreement which are binding upon it, (b) there shall exist no Event of Default and no event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, (c) the representations and warranties contained in Part V, shall be true with the same effect as though such representations and warranties had been made at the time of the making of the advance, and (d) the Lender shall have received a certificate dated the date of the making of such advance in the form attached hereto as EXHIBIT E and signed by an executive officer of the Borrower to the foregoing effects.

ARTICLE 7

AFFIRMATIVE COVENANTS OF BORROWER

Until payment in full and the performance of all of the Obligations hereunder, the Borrower shall:

SECTION 7.1 Financial Statements. Furnish to the Lender:

(a) Annual Statements and Certificates. As soon as available but in no event more than one hundred twenty (120) days after the close of each of the Borrower's fiscal years, (i) a copy of the consolidating financial statements of Emons Transportation Group, Inc. and its subsidiaries, prepared in accordance with GAAP and certified by the chief financial officer of the Borrower, (ii) consolidated financial statements of Emons Transportation Group, Inc. prepared in accordance with GAAP, which financial statements shall include a balance sheet as at the end of such fiscal year, profit and loss statement and a statement of changes in financial condition, fully certified by independent certified public accountants satisfactory to the Lender, and (iii) so long as required pursuant to any credit facility extended by another financial institution other than the Lender, a copy of the financial statements of St. Lawrence & Atlantic Railroad Company prepared in accordance with GAAP, which financial statements shall include a balance sheet as at the end of such fiscal year, profit and loss statement and a statement of changes in financial condition, fully certified by independent certified public accountants.

(b) Annual Opinion of Accountant. As soon as available but in no event more than one hundred twenty (120) days after the close of each of the Borrower's fiscal years, a letter or opinion of the independent certified public accountant who examined the

annual financial statement of Emons Transportation Group, Inc. stating whether anything in such certified public accountant's examination has revealed the occurrence of an event which constitutes an Event of Default or which would constitute an Event of Default with the giving of notice or the lapse of time or both, and, if so, stating the facts with respect thereto.

(c) **Quarterly Statements and Certificates.** As soon as available but in no event more than sixty (60) days after the close of each of the Borrower's fiscal quarters (except the last), unaudited financial statements of the Borrower in form satisfactory to the Lender, including statements of accounts receivable and accounts payable resulting from the Borrower's transactions with its Affiliates, certified by the chief financial officer of the Borrower and accompanied by a certificate of that officer stating whether any event has occurred which constitutes an Event of Default or which would constitute an Event of Default with the giving of notice or the lapse of time or both, and, if so, stating the facts with respect thereto.

(d) **Additional Reports and Information.** Promptly from time to time, such information concerning the operations, business, affairs, and financial condition of the Borrower and the Guarantors as the Lender may reasonably request.

SECTION 7.2 Financial Covenants.

(a) **Tangible Net Worth.** Maintain a Tangible Net Worth of not less than \$450,000 plus 50% of the sum of each prior quarter's net income (not net losses, if any) after June 30, 1994. This covenant must be satisfied on a quarterly basis.

(b) **Debt to Worth Ratio.** Maintain a ratio of total unsubordinated liabilities to Tangible Net Worth plus the outstanding principal amount of a note dated February 21, 1989 from the Borrower to Emons Development Corporation, now known as Emons Railroad Group, Inc. (not to exceed), the payment of which is subordinated to the payment of all liabilities of the Borrower to the Lender, plus the outstanding amount of accounts payable of the Borrower to the Maryland and Pennsylvania Railroad Company (not to exceed), the payment of which is subordinated to the payment of all liabilities of the Borrower to the Lender not greater than (i) 3.0 to 1.0 from the date hereof to and including June 30, 1996, (ii) 2.75 to 1.0 from July 1, 1996 to and including June 30, 1997, and 2.5 to 1.0 thereafter. This covenant must be satisfied on a quarterly basis.

(c) **Net Income.** Not allow its net income, exclusive of extraordinary items, to be less than zero for any two consecutive fiscal quarters or for any fiscal year. This covenant must be satisfied on a quarterly and annual basis.

(d) Coverage Ratio. Maintain a ratio of the combined net income plus depreciation, amortization, deferred taxes and interest expense of the Borrower and the Maryland and Pennsylvania Railroad Company to debt service on all liabilities, including capitalized lease obligations, of the Borrower and the Maryland and Pennsylvania Railroad Company of not less than 1.5 to 1.0. This covenant must be satisfied on a rolling four quarter basis.

SECTION 7.3 Taxes and Claims. Pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or any of its income or properties prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any of its properties; provided, however, the Borrower shall not be required to pay any such tax, assessment, charge, levy or claim, the payment of which is being contested in good faith and by proper proceedings. The Borrower agrees that at such time as generally accepted accounting principals require, reserves shall be established for the Resettlement in accordance with generally accepted accounting principals.

SECTION 7.4 Corporate Existence. Maintain its corporate existence in good standing in the jurisdiction in which it is incorporated and in each jurisdiction where it is required to register or qualify to do business.

SECTION 7.5 Compliance with Laws. Comply with all applicable federal, state and local laws, rules and regulations to which it is subject and the violation of which would have a material adverse effect on the conduct of its business.

SECTION 7.6 Governmental Regulation. Promptly notify the Lender in the event that the Borrower receives any notice, claim or demand from any governmental agency which alleges that the Borrower is in violation of any of the terms of, or has failed to comply with any applicable order issued pursuant to any federal or state statute regulating its operation and business, including, but not limited to, the Occupational Safety and Health Act and the Environmental Protection Act.

SECTION 7.7 Litigation. Give prompt notice in writing, with a full description to the Lender, of all litigation and of all proceedings before any court or any governmental or regulatory agency affecting the Borrower which, if adversely decided, would materially affect the conduct of the Borrower's business, the financial condition of the Borrower, or in any manner affect the Collateral.

SECTION 7.8 Use of Proceeds. Use the proceeds of the Loan for the purpose or purposes set forth in Section 2.2 and, without the prior written consent of the Lender, for no other purpose or purposes.

SECTION 7.9 Maintenance of Properties. Keep and maintain, its properties, whether owned in fee or otherwise, or leased, in good operating condition; make all proper repairs, renewals, replacements, additions and improvements thereto needed to maintain such properties in good operating condition consistent with the Borrower's ordinary course of business; comply with the provisions of all leases to which it is party or under which it occupies property so as to prevent any loss or forfeiture thereof or thereunder; and comply with all laws, rules, regulations and orders applicable to its properties or business or any part thereof.

SECTION 7.10 Other Liens, Security Interests, etc. Keep its properties and assets, including, without limitation, the Collateral, free from all liens, security interests and claims of every kind and nature, other than the security interest granted to the Lender pursuant to this Agreement and the Permitted Liens.

SECTION 7.11 Books and Records. (a) Keep and maintain accurate books and records, (b) make entries on such books and records in form satisfactory to the Lender disclosing the Lender's assignment of, and security interest in and lien on, the Collateral and all collections received by the Borrower on its Accounts, (c) unless the Lender shall otherwise consent in writing, keep and maintain all such books and records mentioned in (a) above only at the addresses listed in EXHIBIT C, and (d) permit any Person designated by the Lender to enter the premises of the Borrower and examine, audit and inspect the books and records at any reasonable time and from time to time without notice.

SECTION 7.12 Business Names. Immediately notify the Lender of any change in the name under which it conducts its business.

SECTION 7.13 ERISA. Maintain at all times such bonding as is required by ERISA. As soon as practicable and in any event within 15 days after it knows or has reason to know that, with respect to any plan, a "reportable event" has occurred, the Borrower will deliver to the Lender a certificate signed by its chief financial officer setting forth the details of such "reportable event". The Borrower agrees that with respect to any pension plan which the Borrower and/or any Commonly Controlled Entity maintains or contributes to, either now or in the future, that: (a) such bonding as is required under ERISA will be maintained; (b) as soon as practicable and in any event within fifteen (15) days after the Borrower or any Commonly Controlled Entity knows or has reason to know that a "reportable event" has occurred or is likely to occur, the Borrower will deliver to the Lender a certificate signed by its Responsible Officer setting forth the details of such "reportable event"; (c) within fifteen (15) days after notice is received by the Borrower or any Commonly Controlled Entity that any multiemployer plan has been or will be placed in "reorganization" within the meaning of ERISA §4241, the Borrower will notify the Lender to that effect; and (d) upon the Lender's

request, the Borrower will deliver to the Lender a copy of the most recent actuarial report, financial statements and annual report completed with respect to any "defined benefit plan", as defined in ERISA §3(35).

SECTION 7.14 Management. Promptly notify the Lender of any contemplated changes in its Senior Management subsequent to the date hereof.

SECTION 7.15 Banking Relationship. Maintain the Lender as its principal depository.

SECTION 7.16 Notification of Events of Default and Adverse Developments. Promptly notify the Lender upon obtaining knowledge of the occurrence of:

- (a) any Event of Default;
- (b) any Default;
- (c) any event, development or circumstance whereby the financial statements furnished hereunder fail in any material respect to present fairly, in accordance with GAAP, the financial condition and operational results of the Borrower;
- (d) any judicial, administrative or arbitral proceeding pending against the Borrower and any judicial or administrative proceeding known by the Borrower to be threatened against it which, if adversely decided, could materially adversely affect its financial condition or operations (present or prospective); and
- (e) any other development in the business or affairs of the Borrower which may be materially adverse;

in each case describing in detail satisfactory to the Lender the nature thereof and, in the case of notification under clauses (a) and (b), the action the Borrower proposes to take with respect thereto.

SECTION 7.17 Insurance Generally. Maintain insurance with responsible insurance companies on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity (including, but not limited to, insurance for transporting dangerous materials or Hazardous Materials); maintain general public liability insurance against claims for personal injury, death or property damage in such amounts as are reasonably satisfactory to the Lender with such companies as are licensed to do business in the state requiring the same; file with the Lender, upon its request, a detailed list of the insurance then in effect and stating the names of the insurance companies, the amounts and rates of the insurance, dates of the

expiration thereof and the properties and risks covered thereby; and, within thirty (30) days after notice in writing from the Lender, obtain such additional insurance as the Lender may reasonably request if such insurance is commercially obtainable and available at commercially reasonable rates in the reasonable opinion of the Lender.

SECTION 7.18 Insurance With Respect to Collateral. In addition to and not by way of limitation of Section 7.17 above, maintain casualty insurance on all of the Collateral, naming the Lender as sole loss payee on that Collateral which constitutes Locomotives and, with respect to the Locomotives, in an amount at least equal to the lesser of or the replacement cost of the Locomotives (but in any event sufficient to avoid any co-insurance obligations) and with a specific endorsement to each such insurance policy pursuant to which the insurer agrees to give the Lender at least thirty (30) days written notice before any alteration or cancellation of such insurance policy and that no act or default of the Borrower shall affect the right of the Lender to recover under such policy in the event of loss or damage; file with the Lender, upon its request, a detailed list of the insurance then in effect and stating the names of the insurance companies, the amounts and rates of the insurance, dates of the expiration thereof and the properties and risks covered thereby; and, within thirty (30) days after notice in writing from the Lender, obtain such additional insurance as the Lender may reasonably request if such insurance is commercially obtainable and available at commercially reasonable rates in the reasonable opinion of the Lender. The Borrower or its Affiliates will pay all premiums due or become due for such insurance and hereby assigns to the Lender any of the Borrower's rights in any returned or unearned premiums which may be due upon cancellation of insurance coverage. The Lender is hereby irrevocably (a) appointed the Borrower's attorney-in-fact (which appointment is coupled with an interest) to endorse any draft or check which may be payable to the Borrower in order to collect such returned or unearned premiums or the proceeds of insurance, provided, however, that prior to an Event of Default, the Borrower shall be entitled to receive any such returned or unearned premiums, and (b) authorized to apply such insurance proceeds in the same manner and order as the proceeds of sale or other disposition of the Collateral are to be applied pursuant to Section 9.2 hereof; provided, however, unless an Event of Default, or an event which with the giving of notice or lapse of time or both shall constitute an Event of Default, shall have occurred and be continuing, the Borrower shall have the right to apply any casualty proceeds with respect to the Collateral to the repair or replacement of the Collateral or the prepayment of the Loan.

SECTION 7.19 Maintenance of the Collateral. Not permit anything to be done to the Collateral which may impair the value thereof. The Lender, or an agent designated by the Lender, shall be permitted to enter the premises of the Borrower and examine,

audit and inspect the Collateral at any reasonable time and from time to time without notice. The Lender shall not have any duty to, and the Borrower hereby releases the Lender from all claims of loss or damage caused by the delay or failure to collect or enforce any of the Accounts or to, preserve any rights against any other party with an interest in the Collateral.

SECTION 7.20 Defense of Title and Further Assurances. At its expense defend the title to the Collateral (or any part thereof), and promptly upon request execute, acknowledge and deliver any financing statement, renewal, affidavit, deed, assignment, continuation statement, security agreement, certificate or other document the Lender may require in order to perfect, preserve, maintain, protect, continue and/or extend the lien or security interest granted to the Lender under this Agreement and its priority. The Borrower shall pay to the Lender on demand all taxes, costs and expenses incurred by the Lender in connection with the preparation, execution, recording and filing of any such document or instrument.

SECTION 7.21 Subsequent Opinion of Counsel as to Recording Requirements. Provide to the Lender a subsequent opinion of counsel as to the filing, recording and other requirements with which the Borrower has complied to maintain the lien and security interest in favor of the Lender in the Collateral in the event that the Borrower shall transfer its principal place of business or the office where it keeps its records pertaining to the Accounts.

SECTION 7.22 Collections. Until such time as the Lender shall notify the Borrower of the revocation of such privilege, the Borrower (a) shall at its own expense have the privilege for the account of and in trust for the Lender of collecting its Accounts and receiving in respect thereto all items of payment and shall otherwise completely service all of the Accounts including (i) the billing, posting and maintaining of complete records applicable thereto, and (ii) the taking of such action with respect to such Accounts as the Lender may request or in the absence of such request, as the Borrower may deem advisable; and (b) may grant, in the ordinary course of business, to any account debtor, any rebate, refund or adjustment to which the account debtor may be lawfully entitled, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to an Account. The Lender may, at its option, at any time or from time to time after default hereunder, revoke the collection privilege given to the Borrower herein by either giving notice of its assignment of, and lien on the Collateral to the account debtors or giving notice of such revocation to the Borrower.

SECTION 7.23 Notice to Account Debtors and Escrow Account. In the event (a) an Event of Default exists, or (b) demand has been made for any or all of the Obligations, promptly upon the request of the Lender, the Borrower shall (a) in such form and at

such times as specified by the Lender, give notice of the Lender's lien on the Accounts to the account debtors requiring the account debtors to make payments thereon directly to the Lender, (b) promptly upon receipt deposit the Items of Payment into a bank account designated by the Lender and from which the Lender alone has power of access and withdrawal (the "Collateral Account") in the original form received by the Borrower (except for the endorsement of the Borrower where necessary, which endorsement the Borrower agrees to make, and the Lender, by its duly authorized officers or nominee, is also hereby irrevocably authorized to make such endorsement on the Borrower's behalf). Pending deposit thereof to the Collateral Account, the Borrower shall not commingle any Items of Payment with any of its other funds or property, but will hold them separate and apart therefrom in trust and for the account of the Lender until deposit to the Collateral Account or other delivery thereof is made to the Lender. The Lender will in its discretion apply the whole or any part of the collected funds credited to the Collateral Account against the Obligations or credit such collected funds to the depository account of the Borrower with the Lender, the order and method of such application to be in the sole discretion of the Lender.

SECTION 7.24 Government Accounts and Grants.

(a) Immediately notify the Lender if any of the Accounts arise out of contracts with the United States or with any state or political subdivision thereof (other than State, local and federal grants for the repair and improvement of trackage) or any department, agency or instrumentality of the United States, or any state or political subdivision thereof, and execute any instruments and take any steps required by the Lender in order that all moneys due and to become due under such contracts shall be assigned to the Lender and notice thereof given to the government under the Federal Assignment of Claims Act or any other applicable law; provided, however, that (i) if the value of each such contract is less than or equal to _____, and (ii) the aggregate value of such contracts is less than or equal to _____, this Section shall not apply to such contracts. (b) Immediately notify the Lender if the Borrower receives or is to receive any State, local or federal grants for the repair and improvement of trackage, and execute any instruments and take any steps required by the Lender in order that all moneys due and to become due under such grants shall be (i) assigned to the Lender and notice thereof given to the grantor of such grants under any applicable law, and (ii) if possible, paid directly to the Lender, and upon receipt of such moneys, the Lender may apply the same towards the Obligations; provided, however, that should no Event of Default exist, the Lender shall remit such moneys to the Borrower.

SECTION 7.25 Hazardous Materials; Contamination. (a) Give notice to the Lender immediately upon either Borrower's acquiring knowledge of the presence of any Hazardous Materials on any property owned or controlled by the Borrower or for which the

Borrower is responsible or of any Hazardous Materials Contamination with a full description thereof; (b) promptly comply with any Laws requiring the removal, treatment or disposal of Hazardous Materials or Hazardous Materials Contamination and provide the Lender with satisfactory evidence of such compliance; (c) provide the Lender, within thirty (30) days after a demand by the Lender, with a bond, letter of credit or similar financial assurance evidencing to the Lender's satisfaction that the necessary funds are available to pay the cost of removing, treating, and disposing of such Hazardous Materials or Hazardous Materials Contamination and discharging any Lien which may be established as a result thereof on any property owned or controlled by the Borrower or for which the Borrower is responsible; and (d) defend, indemnify and hold harmless the Lender and its agents, employees, trustees, successors and assigns from any and all claims which may now or in the future (whether before or after the termination of this Agreement) be asserted as a result of the presence of any Hazardous Materials on any property owned or controlled by the Borrower for which the Borrower is responsible for any Hazardous Materials Contamination.

SECTION 7.26 Inspection. Upon request and reasonable notice (prior to an Event of Default) by the Lender, permit the Lender and its authorized agents to inspect the maintenance and repair records relating to the Locomotives during normal business hours.

ARTICLE 8

NEGATIVE COVENANTS OF BORROWER

Until payment in full and the performance of all of the Obligations, without the prior written consent of the Lender, which consent shall not be unreasonably withheld, the Borrower will not, directly or indirectly:

SECTION 8.1 Borrowings. Create, incur, assume or suffer to exist any Indebtedness for Borrowed Money, except (a) borrowings in existence on the date hereof and reflected on the financial statements which the Borrower furnished to the Lender in writing prior to the date hereof and which the Lender has agreed may remain outstanding after the date hereof, and (b) Indebtedness for Borrowed Money incurred in connection with the acquisition of property in which a purchase money security interest is granted, limited to the cost of such property.

SECTION 8.2 Mortgages and Pledges. Create, incur, assume or suffer to exist any Lien on any of its property or assets, whether now owned or hereafter acquired, except for Permitted Liens and purchase money security interests permitted by the Financing Documents.

SECTION 8.3 Method of Accounting. Change the method of accounting employed in the preparation of the financial statements furnished prior to the date of this Agreement to the Lender pursuant to Part V of this Agreement, unless required to conform to GAAP and on the condition that the Borrower's accountants shall furnish such information as the Lender may request to reconcile the changes with the Borrower's prior financial statements.

SECTION 8.4 Merger, Acquisition or Sale of Assets. Enter into any merger or consolidation or acquire all or substantially all the assets of any person, firm, partnership, joint venture or corporation, or sell, lease or otherwise dispose of any of its assets (except assets disposed of in the ordinary course of business). Any consent of the Lender to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

SECTION 8.5 Advances and Loans. Make any loans, advances or transfers of the proceeds of the Loan to any Affiliate in excess of \$250,000 in the aggregate outstanding at any time.

SECTION 8.6 Contingent Liabilities. Assume, guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

SECTION 8.7 Capital Expenditures. Make net capital expenditures in the aggregate for the Borrower during any one fiscal year exceeding the sum of _____ (of which no more than \$150,000 may be expended on Equipment), after deduction of government grants.

SECTION 8.8 Dividends and Distributions. Declare any dividend (other than a dividend payable in capital stock of the Borrower) on any shares of any class of its capital stock or apply any of its property or assets to the purchase, redemption or other retirement of, or establish a liability on the books of the Borrower for the payment of any dividend on, or for the purchase, redemption or other retirement of, or make any other distribution by reduction of capital or otherwise in respect of, any shares of any class of capital stock of the Borrower, unless there is no default under any of the covenants contained in the Financing Documents.

SECTION 8.9 ERISA Compliance. Neither the Borrower nor any Commonly Controlled Entity will: (a) engage in or permit any "prohibited transaction" (as defined in ERISA); (b) cause any "accumulated funding deficiency" as defined in ERISA and/or the Internal Revenue Code; (c) terminate any pension plan in a manner which could result in the imposition of a lien on the property of

the Borrower pursuant to ERISA; (d) terminate or consent to the termination of any Multiemployer Plan; or (e) incur a complete or partial withdrawal with respect to any Multiemployer Plan.

SECTION 8.10 Prohibition on Hazardous Materials. Place, manufacture or store or permit to be placed, manufactured or stored any Hazardous Materials on any property owned, controlled or operated by the Borrower or for which the Borrower is responsible, except for reasonable quantities of necessary supplies for use by the Borrower in the ordinary course of its current line of business and stored, used and disposed in accordance with applicable Laws, and except as transported for others in the Borrower's ordinary course of its current line of business (including temporary storage and transloading) and stored and transported in accordance with applicable Laws.

SECTION 8.11 Transfer of Collateral. Transfer, or permit the transfer, to another location of any of the Collateral or the books and records related to any of the Collateral; provided, however, that the Borrower may transfer the Collateral or the books and records related thereto to another location if (a) the Borrower shall have provided to the Lender prior to such transfer an opinion of counsel addressed to the Lender to the effect that the Lender's perfected security interest shall not be affected by such move or if it shall be affected, setting forth the steps necessary to continue the Lender's perfected security interest together with the commencement of such steps by the Borrower at its expense, and (b) shall have taken such steps.

SECTION 8.12 Sale of Accounts or General Intangibles. Sell, discount, transfer, assign or otherwise dispose of any of its General Intangibles, Accounts, notes receivable, installment or conditional sales agreements or any other rights to receive income, revenues or moneys, however evidenced.

SECTION 8.13 Management Fees. Pay any management fees or other cash distributions in an amount greater than 30% of the Borrower's total annual revenues in the aggregate to all Persons.

SECTION 8.14 Lease Obligations. Enter into any lease for a term in excess of six months for real or personal property for a rental which, together with rentals under current leases, will aggregate more than _____ per year with respect to realty or with respect to personal property (excluding railroad locomotives and rolling stock).

ARTICLE 9

DEFAULT AND RIGHTS AND REMEDIES

SECTION 9.1 Events of Default. Without implying any limitation of the Lender's right to immediate payment at any time of any Obligations which are payable on demand, the occurrence of any one or more of the following events shall constitute a "Default" under the provisions of this Agreement:

9.1.1 Failure to Pay. The failure of the Borrower to pay any of the Obligations as and when due and payable in accordance with the provisions of this Agreement, the Note and/or any of the other Financing Documents, provided that should the Borrower be making Loan payments via an automatic debit system with the Lender, the Borrower shall have five (5) days after notice is given to the Borrower by the Lender to make such payment, the failure to do so constituting a Default hereunder.

9.1.2 Breach of Representations and Warranties. Any representation or warranty made in this Agreement or in any report, statement, schedule, certificate, opinion (including any opinion of counsel for the Borrower), financial statement or other document furnished in connection with this Agreement, any of the other Financing Documents, or the Obligations, shall prove to have been false or misleading when made (or, if applicable, when reaffirmed) in any material respect.

9.1.3 Failure to Comply with Covenants. The failure of the Borrower to perform, observe or comply with any covenant, condition or agreement contained in Section 7.8, 7.10, or 7.25 of this Agreement or in Article 8 of this Agreement.

9.1.4 Other Covenants. The failure of the Borrower to perform, observe or comply with any covenant, condition or agreement contained in this Agreement, other than those set forth in Section 9.1.3 above, which default shall remain unremedied for thirty (30) days after written notice thereof to the Borrower by the Lender.

9.1.5 Default Under Other Financing Documents or Obligations. A default shall occur under any of the other Financing Documents or under any other Obligations, and such default is not cured within any applicable grace period provided therein.

9.1.6 Receiver; Bankruptcy. The Borrower shall (a) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, (b) admit in writing its inability to pay its debts as they mature, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent, (e) file a voluntary petition in

bankruptcy or a petition or an answer seeking or consenting to reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or take corporate action for the purposes of effecting any of the foregoing, or (f) by any act indicate its consent to, approval of or acquiescence in any such proceeding or the appointment of any receiver or trustee for any of its property, or suffer any such receivership, trusteeship or proceeding to continue undischarged for a period of sixty (60) days, or (g) by any act indicate its consent to, approval of or acquiescence in any order, judgment or decree by any court of competent jurisdiction or any Governmental Authority enjoining or otherwise prohibiting the operation of a material portion of its business or the use or disposition of a material portion of its assets.

9.1.7 Involuntary Bankruptcy, etc. (a) An order for relief shall be entered in any involuntary case brought against the Borrower under the Bankruptcy Code, or (b) any such case shall be commenced against the Borrower and shall not be dismissed within sixty (60) days after the filing of the petition, or (c) an order, judgment or decree under any other Law is entered by any court of competent jurisdiction or by any other Governmental Authority on the application of a Governmental Authority or of a Person other than the Borrower (i) adjudicating the Borrower, bankrupt or insolvent, or (ii) appointing a receiver, trustee or liquidator of the Borrower, or of a material portion of the Borrower's assets, or (iii) enjoining, prohibiting or otherwise limiting the operation of a material portion of the Borrower's business or the use or disposition of a material portion of the Borrower's assets, and such order, judgment or decree continues unstayed and in effect for a period of thirty (30) days from the date entered.

9.1.8 Judgment. Unless adequately insured in the opinion of the Lender, the entry of a final judgment for the payment of money involving more than _____ against the Borrower and the failure by the Borrower to discharge the same, or cause it to be discharged, within thirty (30) days from the date of the order, decree or process under which or pursuant to which such judgment was entered, or to secure a stay of execution pending appeal of such judgment.

9.1.9 Execution; Attachment. Any execution or attachment shall be levied against the Collateral, or any part thereof, and such execution or attachment shall not be set aside, discharged or stayed within thirty (30) days after the same shall have been levied.

9.1.10 Default Under Other Borrowings. Default shall be made with respect to any Indebtedness for Borrowed Money

(other than the Loan) owed to the Lender if the effect of such default is to accelerate the maturity of such evidence of the Indebtedness for Borrowed Money.

9.1.11 Change in Ownership. Any change in the ownership of the Borrower other than ownership held by Emons Transportation Group, Inc., or any subsidiary or affiliate thereof except Emons Industries, Inc., Emons Railcar Repair, Inc., or Emons Railcar Corp.

9.1.12 Liquidation, Termination or Dissolution. If the Borrower shall liquidate, dissolve or terminate its existence or shall suspend or terminate a substantial portion of its business operations.

SECTION 9.2 Remedies. Upon the occurrence of any Default or Event of Default, the Lender may at any time thereafter exercise any one or more of the following rights, powers or remedies:

9.2.1 Acceleration. The Lender may declare the Obligations to be immediately due and payable, notwithstanding anything contained in this Agreement or in any of the other Financing Documents to the contrary, without presentment, demand, protest, notice of protest or of dishonor, or other notice of any kind, all of which the Borrower hereby waives.

9.2.2 Further Advances. The Lender may from time to time without notice to the Borrower suspend, terminate or limit any further loans or other extensions of credit under this Agreement and under any of the other Financing Documents. Further, upon the occurrence of an Event of Default or Default specified in Sections 9.1.6 (Receiver; Bankruptcy) or 9.1.7 (Involuntary Bankruptcy, etc.) above, the unpaid principal amount of the Note (with accrued interest thereon) and all other Obligations then outstanding, shall immediately become due and payable without further action of any kind and without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

9.2.3 Uniform Commercial Code. The Lender shall have all of the rights and remedies of a secured party under the applicable Uniform Commercial Code and other applicable Laws. Upon demand by the Lender, the Borrower shall assemble the Collateral and make it available to the Lender, at a place designated by the Lender. The Lender or its agents may without notice from time to time enter upon the Borrower's premises to take possession of the Collateral, to remove it, to render it unusable, to process it or otherwise prepare it for sale, or to sell or otherwise dispose of it.

Any written notice of the sale, disposition or other intended action by the Lender with respect to the Collateral which is sent

by regular mail, postage prepaid, to the Borrower at the address set forth in ARTICLE 10 of this Agreement, or such other address of the Borrower which may from time to time be shown on the Lender's records, at least ten (10) days prior to such sale, disposition or other action, shall constitute commercially reasonable notice to the Borrower. The Lender may alternatively or additionally give such notice in any other commercially reasonable manner. Nothing in this Agreement shall require the Lender to give any notice not required by applicable Laws.

If any consent, approval, or authorization of any state, municipal or other governmental department, agency or authority or of any person, or any person, corporation, partnership or other entity having any interest therein, should be necessary to effectuate any sale or other disposition of the Collateral, the Borrower agrees to execute all such applications and other instruments, and to take all other action, as may be required in connection with securing any such consent, approval or authorization.

9.2.4 Specific Rights With Regard to Collateral.

In addition to all other rights and remedies provided hereunder or as shall exist at law or in equity from time to time, the Lender may (but shall be under no obligation to), without notice to the Borrower, and the Borrower hereby irrevocably appoints the Lender as its attorney-in-fact, with power of substitution, in the name of the Lender or in the name of the Borrower or otherwise, for the use and benefit of the Lender, but at the cost and expense of the Borrower and without notice to the Borrower:

(a) request any account debtor obligated on any of the Accounts to make payments thereon directly to the Lender, with the Lender taking control of the cash and non-cash proceeds thereof;

(b) compromise, extend or renew any of the Collateral or deal with the same as it may deem advisable;

(c) make exchanges, substitutions or surrenders of all or any part of the Collateral;

(d) copy, transcribe, or remove from any place of business of the Borrower all books, records, ledger sheets, correspondence, invoices and documents, relating to or evidencing any of the Collateral or without cost or expense to the Lender, make such use of the Borrower's place(s) of business as may be reasonably necessary to administer, control and collect the Collateral;

(e) repair, alter or supply goods if necessary to fulfill in whole or in part the purchase order of any account debtor;

(f) demand, collect, receipt for and give renewals, extensions, discharges and releases of any of the Collateral;

(g) institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, any of the Collateral;

(h) settle, renew, extend, compromise, compound, exchange or adjust claims in respect of any of the Collateral or any legal proceedings brought in respect thereof;

(i) endorse or sign the name of the Borrower upon any items of payment, certificates of title, instruments, securities, stock powers, documents, documents of title, or other writing relating to or part of the Collateral and on any Proof of Claim in Bankruptcy against an account debtor;

(j) notify the Post Office authorities to change the address for the delivery of mail to the Borrower to such address or Post Office Box as the Lender may designate and receive and open all mail addressed to the Borrower; and

(k) take any other action necessary or beneficial to realize upon or dispose of the Collateral.

9.2.5 Application of Proceeds. Any proceeds of sale or other disposition of the Collateral will be applied by the Lender to the payment of the Enforcement Costs, and any balance of such proceeds will be applied by the Lender to the payment of the balance of the Obligations in such order and manner of application as the Lender may from time to time in its sole and absolute discretion determine. If the sale or other disposition of the Collateral fails to fully satisfy the Obligations, the Borrower shall remain liable to the Lender for any deficiency.

9.2.6 Performance by Lender. If the Borrower shall fail to pay the Obligations or otherwise fail to perform, observe or comply with any of the conditions, covenants, terms, stipulations or agreements contained in this Agreement or any of the other Financing Documents, the Lender without notice to or demand upon the Borrower and without waiving or releasing any of the Obligations or any Default or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of the Borrower, and may enter upon the premises of the Borrower for that purpose and take all such action thereon as the Lender may consider necessary or appropriate for such purpose and the Borrower hereby irrevocably appoints the Lender as its attorney-in-fact to do so, with power of substitution, in the name of the Lender or in the name of the Borrower or otherwise, for the use and benefit of the

Lender, but at the cost and expense of the Borrower and without notice to the Borrower. All sums so paid or advanced by the Lender together with interest thereon from the date of payment, advance or incurring until paid in full at the Post-Default Rate and all costs and expenses, shall be deemed part of the Enforcement Costs, shall be paid by the Borrower to the Lender on demand, and shall constitute and become a part of the Obligations.

9.2.7 Other Remedies. The Lender may from time to time proceed to protect or enforce its rights by an action or actions at law or in equity or by any other appropriate proceeding, whether for the specific performance of any of the covenants contained in this Agreement or in any of the other Financing Documents, or for an injunction against the violation of any of the terms of this Agreement or any of the other Financing Documents, or in aid of the exercise or execution of any right, remedy or power granted in this Agreement, the Financing Documents, and/or applicable Laws. The Lender is authorized to offset and apply to all or any part of the Obligations all moneys, credits and other property of any nature whatsoever of the Borrower now or at any time hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with, the Lender.

ARTICLE 10

MISCELLANEOUS

SECTION 10.1 Notices. All notices, requests and demands to or upon the parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand on a Business Day, or two (2) days after the date when deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, or when sent by overnight courier, on the Business Day next following the day on which the notice is delivered to such overnight courier, addressed as follows:

Borrower: Yorkrail, Inc.
96 S. George Street, 4th Floor
York, Pennsylvania 17401
Attention: Vice President and
Controller

Lender: The York Bank and Trust Company
P. O. Box 869
York, Pennsylvania 17405-0869
Attention: Steven E. Stewart,
Assistant Vice President

By written notice, each party to this Agreement may change the address to which notice is given to that party, provided that such changed notice shall include a street address to which notices may be delivered by overnight courier in the ordinary course on any Business Day.

SECTION 10.2 Amendments; Waivers. This Agreement and the other Financing Documents may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Lender and the Borrower. No waiver of any provision of this Agreement or of any of the other Financing Documents, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing. No course of dealing between the Borrower and the Lender and no act or failure to act from time to time on the part of the Lender shall constitute a waiver, amendment or modification of any provision of this Agreement or any of the other Financing Documents or any right or remedy under this Agreement, under any of the other Financing Documents or under applicable Laws.

Without implying any limitation on the foregoing:

(a) Any waiver or consent shall be effective only in the specific instance, for the terms and purpose for which given, subject to such conditions as the Lender may specify in any such instrument.

(b) No waiver of any Default or Event of Default shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereto.

(c) No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

(d) No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement or of any of the other Financing Documents, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver, amendment or modification of any such term, condition, covenant or agreement or of any such breach or preclude the Lender from exercising any such right, power or remedy at any time or times.

(e) By accepting payment after the due date of any amount payable under this Agreement or under any of the other Financing Documents, the Lender shall not be deemed to waive the right to require prompt payment when due of all other amounts payable under this Agreement or under any of the other Financing Documents, or to declare a default for failure to effect such prompt payment of any such other amount.

SECTION 10.3 Cumulative Remedies. The rights, powers and remedies provided in this Agreement and in the other Financing Documents are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order as the Lender shall determine and are in addition to, and not exclusive of, rights, powers and remedies provided by existing or future applicable Laws. In order to entitle the Lender to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Agreement. Without limiting the generality of the foregoing, the Lender may:

(a) proceed against the Borrower with or without proceeding against the Guarantors or either of them or any other Person who may be liable for all or any part of the Obligations;

(b) proceed against the Borrower with or without proceeding under any of the other Financing Documents or against any Collateral or other collateral and security for all or any part of the Obligations;

(c) without reducing or impairing the obligation of the Borrower and without notice, release or compromise with any guarantor or other Person liable for all or any part of the Obligations under the Financing Documents or otherwise;

(d) without reducing or impairing the obligations of the Borrower and without notice thereof:
(i) fail to perfect the Lien in any or all Collateral or to release any or all the Collateral or to accept substitute Collateral, (ii) waive any provision of this Agreement or the other Financing Documents, (iii) exercise or fail to exercise rights of set-off or other rights, or (iv) accept partial payments or extend from time to time the maturity of all or any part of the Obligations.

SECTION 10.4 Severability. In case one or more provisions, or part thereof, contained in this Agreement or in the other Financing Documents shall be invalid, illegal or unenforceable in any respect under any Law, then without need for any further agreement, notice or action:

(a) the validity, legality and enforceability of the remaining provisions shall remain effective and binding on the parties thereto and shall not be affected or impaired thereby;

(b) the obligation to be fulfilled shall be reduced to the limit of such validity;

(c) if such provision or part thereof pertains to repayment of the Obligations, then, at the sole and absolute discretion of the Lender, all of the Obligations of the Borrower to the Lender shall become immediately due and payable; and

(d) if the affected provision or part thereof does not pertain to repayment of the Obligations, but operates or would prospectively operate to invalidate this Agreement in whole or in part, then such provision or part thereof only shall be void, and the remainder of this Agreement shall remain operative and in full force and effect.

SECTION 10.5 Assignments by Lender. The Lender may, without notice to, or consent of, the Borrower, sell, assign or transfer to or participate with any Person or Persons all or any part of the Obligations, provided, however, that the Lender agrees to continue to administer the Loan, and each such Person or Persons shall have the right to enforce the provisions of this Agreement and any of the other Financing Documents as fully as the Lender, provided that the Lender shall continue to have the unimpaired right to enforce the provisions of this Agreement and any of the other Financing Documents as to so much of the Obligations that the Lender has not sold, assigned or transferred. In connection with the foregoing, the Lender shall have the right to disclose to any such actual or potential purchaser, assignee, transferee or participant all financial records, information, reports, financial statements and documents obtained in connection with this Agreement and any of the other Financing Documents or otherwise.

SECTION 10.6 Successors and Assigns. This Agreement and all other Financing Documents shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender.

SECTION 10.7 Continuing Agreements. All covenants, agreements, representations and warranties made by the Borrower in this Agreement, in any of the other Financing Documents, and in any certificate delivered pursuant hereto or thereto shall survive the making by the Lender of the Loan and the execution and delivery of the Note, shall be binding upon the Borrower regardless of how long before or after the date hereof any of the Obligations were or are incurred, and shall continue in full force and effect so long as any of the Obligations are outstanding and unpaid. From time to time upon the Lender's request, and as a condition of the release of any one or more of the Security Documents, the Borrower and other Persons obligated with respect to the Obligations shall provide the Lender with such acknowledgments and agreements as the Lender may require to the effect that there exists no defenses, rights of setoff or recoupment, claims, counterclaims, actions or

causes of action of any kind or nature whatsoever against the Lender, its agents and others, or to the extent there are, the same are waived and released.

SECTION 10.8 Enforcement Costs. The Borrower agrees to pay to the Lender on demand all Enforcement Costs, together with interest thereon from the date incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Post-Default Rate; provided, however, if such demand is made prior to an Event of Default, interest shall not accrue on the Enforcement Costs until five (5) days after such demand. Enforcement Costs shall be immediately due and payable at the time advanced or incurred, whichever is earlier. Without implying any limitation on the foregoing, the Borrower agrees, as part of the Enforcement Costs, to pay upon demand any and all stamp and other Taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and the other Financing Documents and to save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay any Taxes or fees referred to in this Section. The provisions of this Section shall survive the execution and delivery of this Agreement, the repayment of the other Obligations and shall survive the termination of this Agreement.

SECTION 10.9 Applicable Law; Jurisdiction.

10.9.1 As a material inducement to the Lender to enter into this Agreement, the Borrower acknowledges and agrees that the Financing Documents, including, this Agreement, shall be governed by the Laws of the State, as if each of the Financing Documents and this Agreement had each been executed, delivered, administered and performed solely within the State even though for the convenience and at the request of the Borrower, one or more of the Financing Documents may be executed elsewhere. The Lender acknowledges, however, that remedies under certain of the Financing Documents which relate to property outside the State may be subject to the laws of the state in which the property is located.

10.9.2 The Borrower irrevocably submits to the jurisdiction of any state or federal court sitting in the State over any suit, action or proceeding arising out of or relating to this Agreement or any of the other Financing Documents. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon the Borrower and may be enforced in any court in which the Borrower is subject to jurisdiction, by a suit upon such judgment, provided

that service of process is effected upon the Borrower in one of the manners specified in this Section or as otherwise permitted by applicable Laws.

10.9.3 The Borrower hereby irrevocably designates and appoints the chief financial officer of the Borrower, as its authorized agent to receive on its behalf service of any and all process that may be served in any suit, action or proceeding of the nature referred to in this Section in any state or federal court sitting in the State. If such agent shall cease so to act, the Borrower shall irrevocably designate and appoint without delay another such agent in the State satisfactory to the Lender and shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment and its agreement that such appointment shall be irrevocable.

10.9.4 The Borrower hereby consents to process being served in any suit, action or proceeding of the nature referred to in this Section by (a) the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested, to it at its address designated in or pursuant to Section 10.1 hereof, and (b) serving a copy thereof upon the agent, if any, designated and appointed by the Borrower as agent for service of process by or pursuant to this Section. The Borrower irrevocably agrees that such service shall be deemed in every respect effective service of process upon the Borrower in any such suit, action or proceeding, and shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon the Borrower. Nothing in this Section shall affect the right of the Lender to serve process in any manner otherwise permitted by law or limit the right of the Lender otherwise to bring proceedings against the Borrower in the courts of any jurisdiction or jurisdictions.

SECTION 10.10 Duplicate Originals and Counterparts. This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and all taken together shall constitute but one and the same instrument.

SECTION 10.11 Headings. The headings in this Agreement are included herein for convenience only, shall not constitute a part of this Agreement for any other purpose, and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 10.12 No Agency. Nothing herein contained shall be construed to constitute the Borrower as the Lender's agent for any purpose whatsoever or to permit the Borrower to pledge any of the Lender's credit. The Lender shall not be responsible nor liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. The Lender shall not, by anything herein or in any of the Financing Documents or otherwise, assume any of the

Borrower's obligations under any contract or agreement assigned to the Lender, and the Lender shall not be responsible in any way for the performance by the Borrower of any of the terms and conditions thereof.

SECTION 10.13 Date of Payment. Should the principal of or interest on the Note become due and payable on other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and in the case of principal, interest shall be payable thereon at the rate per annum specified in the Note during such extension.

SECTION 10.14 Entire Agreement. This Agreement is intended by the Lender and the Borrower to be a complete, exclusive and final expression of the agreements contained herein. Neither the Lender nor the Borrower shall hereafter have any rights under any prior agreements pertaining to the matters addressed by this Agreement but shall look solely to this Agreement for definition and determination of all of their respective rights, liabilities and responsibilities under this Agreement.

SECTION 10.15 Waiver of Trial by Jury. THE BORROWER AND THE LENDER HEREBY JOINTLY AND SEVERALLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT, (B) ANY OF THE FINANCING DOCUMENTS, OR (C) THE COLLATERAL. THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT.

This waiver is knowingly, willingly and voluntarily made by the Borrower and the Lender, and the Borrower and the Lender hereby represent that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury or to in any way modify or nullify its effect. The Borrower and the Lender further represent that they have been represented in the signing of this Agreement and in the making of this waiver by independent legal counsel, selected of their own free will, and that they have had the opportunity to discuss this waiver with counsel.

SECTION 10.16 Good Faith. The requirement under the Pennsylvania Uniform Commercial Code that parties must adhere to standards of good faith shall be applicable to this Agreement.

SECTION 10.17 Inconsistencies with Prior Documents. The provisions of Sections 5 and 6 of that certain agreement dated February 21, 1989 and executed by and between the Lender and the Borrower (the "1989 Agreement") are hereby deleted, and Article 5 and Article 6 of this Agreement shall hereafter apply to the 1989 Agreement. To the extent any other provisions of the 1989

Agreement conflict with the provisions of this Agreement, this Agreement shall control.

SECTION 10.18 Liability of the Lender. The Borrower hereby agrees that the Lender shall not be chargeable for any negligence, mistake, act or omission of any accountant, examiner, agency or attorney employed by the Lender in making examinations, investigations or collections, or otherwise in perfecting, maintaining, protecting or realizing upon any lien or security interest or any other interest in the Collateral or other security for the Obligations.

By inspecting the Collateral or any other properties of the Borrower or by accepting or approving anything required to be observed, performed or fulfilled by the Borrower or to be given to the Lender pursuant to this Agreement or any of the other Financing Documents, the Lender shall not be deemed to have warranted or represented the condition, sufficiency, legality, effectiveness or legal effect of the same, and such acceptance or approval shall not constitute any warranty or representation with respect thereto by the Lender.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement on the day and year first above written.

~~ATTEST:~~ WITNESS:

8

WITNESS:

John A. Stafford

YORKRAIL, INC.

By: Scott F. Ziegler (SEAL)

Name: Scott F. Ziegler

Title: Vice President & Controller

THE YORK BANK AND TRUST COMPANY

By: Steven E. Stewart (SEAL)

Name: STEVEN E. STEWART

Title: Assistant Vice President

A:YBT00405.CFA/Yorkrail/Disk1/cmr

EXHIBITS

- A. Note
- B. Collateral Assignment
- C. Places of Business
- D. Permitted Liens
- E. Borrowing Certificate
- F. Description of All Locomotives
- G. Description of Intellectual Property
- H. Form of Assignment of Lessor's Interest in Leases
- I. Form of Amendment to Financing and Security Agreement
- J. Form of UCC-3 for Locomotives

PROMISSORY NOTE

York, Pennsylvania
December 20, 1994

FOR VALUE RECEIVED, YORKRAIL, INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), promises to pay to the order of THE YORK BANK AND TRUST COMPANY, a Pennsylvania state banking corporation (the "Lender"), the principal sum of () (the "Principal Sum"), or so much thereof as has been or may be advanced to or for the account of the Borrower pursuant to the terms and conditions of the Financing Agreement (as hereinafter defined), together with interest thereon at the rate or rates hereinafter provided, in accordance with the following:

1. Interest. Commencing as of the date hereof and continuing until repayment in full of all sums due hereunder, the unpaid Principal Sum shall bear interest at the Prime Rate (as hereinafter defined) plus percent () per annum. The term "Prime Rate" as used herein shall mean the greater of: (a) the floating and fluctuating per annum prime rate of interest of the Lender, established and declared by the Lender from time to time, which rate of interest may or may not constitute the lowest rate of interest charged by the Lender to borrowers, or (b) the average rate, rounded to the nearest of one percent (), for ninety (90) day maturity dealer placed commercial paper for the week most recently reported in the Federal Reserve Statistical Release No. H.15 (519), entitled "Selected Interest Rates" (or any succeeding publication); provided, however, that if such rates

shall cease to be published, the Lender may select in its sole and absolute discretion a comparable index as a successor source for such rates; provided, further, however, the Borrower may elect (a) at the time of the proceeds of the Loan (hereinafter defined) have been advanced to have the then outstanding Principal Sum bear interest for the remaining term at a fixed rate (the "Initial Loan Fixed Rate") equal to that non-callable debt obligation of the United States Treasury having a maturity date nearest in time to the maturity date of this Note (with the maturity date and yield to maturity of the applicable United States Treasury obligation to be determined on the basis of quotations published in The Wall Street Journal on the date of election or from such other sources as the Lender, in its reasonable discretion, shall deem appropriate) plus 300 basis points; and (b) on March 1, 1996, to have the remaining outstanding Principal Sum, the interest rate on which was not fixed as provided in (a) above, or to have the entire outstanding Principal Sum, if the interest rate was not fixed as provided in (a) above, to bear interest for the remaining term at a fixed rate (the "Second Loan Fixed Rate") equal to that non-callable debt obligation of the United States Treasury having a maturity date nearest in time to the maturity date of this Note (with the maturity date and yield to maturity of the applicable United States Treasury obligation to be determined on the basis of quotations published in The Wall Street Journal on the date of election or from such other sources as the Lender, in its reasonable discretion, shall deem appropriate) plus

300 basis points. If the Borrower makes the election in (a) or (b), the Borrower shall execute and deliver to the Lender an amendment to this Promissory Note to reflect the Initial Loan Fixed Rate and/or the Second Loan Fixed Rate, as appropriate. All interest computed on the Prime Rate shall be adjusted on any date on which a change occurs in the Prime Rate. All interest payable under the terms of this Note shall be calculated on the basis of a 360-day year and the actual number of days elapsed.

2. Payments and Maturity. The unpaid Principal Sum, together with interest thereon at the rate or rates provided above, shall be payable as follows:

(a) Interest on the unpaid Principal Sum shall be due and payable monthly, commencing January 1, 1995, and on the first day of each month thereafter to March 1, 1996; and

Thereafter, interest on the unpaid Principal Sum shall be due and payable quarterly on the first day of each and every June, September, December and March to maturity.

(b) The unpaid Principal Sum shall be due and payable in quarterly installments of principal in the amounts and on the dates set forth in Exhibit A attached hereto and made a part hereof. Exhibit A assumes that of the proceeds of the Loan are advanced to the Borrower. If less than of the proceeds of the Loan are advanced to the Borrower, the quarterly installments of principal will be reduced pro rata and a new Exhibit A will be attached hereto to reflect such reduced principal installments.

(c) Unless sooner paid, the entire unpaid Principal Sum, together with all interest accrued and unpaid thereon, shall be due and payable in full on March 1, 2001.

3. Default Interest. Upon the occurrence of an Event of Default (as hereinafter defined) the unpaid Principal Sum shall bear interest thereafter until the default is cured at a rate which at all times is the greater of (a) percent (, per annum in excess of the then current rate of interest hereunder, or (b) two percent () per annum in excess of the Prime Rate.

4. Late Charges. If the Borrower shall fail to make any payment under the terms of this Note within ten (10) days after the date such payment is due, the Borrower shall pay to the Lender on demand a late charge equal to percent (, of such payment.

5. Application and Place of Payments. All payments, made on account of this Note shall be applied first to the payment of any late charge then due hereunder, second to the payment of any prepayment fee then due hereunder, third to the payment of accrued and unpaid interest then due hereunder, and the remainder, if any, shall be applied to the unpaid Principal Sum, with application first made to all principal installments then due hereunder, next to the outstanding principal balance due and owing at maturity and thereafter to the principal payments due in the inverse order of maturities. Notwithstanding any provision contained herein to the contrary, any portion of a permitted partial prepayment applied to the unpaid Principal Sum shall be applied first to the outstanding principal balance due and owing at maturity and thereafter to the

principal payments due in the inverse order of maturities. All payments on account of this Note shall be paid in lawful money of the United States of America in immediately available funds during regular business hours of the Lender at its principal office in York, Pennsylvania or at such other times and places as the Lender may at any time and from time to time designate in writing to the Borrower.

6. Prepayment. (a) The Borrower may prepay the unpaid Principal Sum of any of the Loan which bears interest at the Prime Rate plus per annum in whole or in part at any time and from time to time without premium, fee or penalty provided that (i) any such prepayment is accompanied by interest accrued and unpaid on the amount so prepaid to the date of prepayment; and (ii) the Borrower gives the Lender five (5) days prior written notice of such prepayment.

(b) The Borrower may prepay the unpaid Principal Sum of the Loan which bears interest at the Initial Loan Fixed Rate or the Second Loan Fixed Rate in whole at any time or in part from time to time; provided, that (i) any such prepayment is accompanied by interest accrued and unpaid on the amount so prepaid to the date of such prepayment, (ii) the Borrower gives the Lender five (5) days prior written notice of such prepayment, and (iii) the Borrower shall pay to the Lender a prepayment fee in an amount equal to the discounted present value of the remaining payments of principal and interest on the Principal Sum prepaid using a discount rate equal to 350 basis points above the yield to maturity of that non-

callable debt obligation of the United States Treasury having a maturity date nearest in time to the maturity of this Note (with the maturity date and yield to maturity of the applicable United States Treasury obligation to be determined on the basis of quotations published in The Wall Street Journal on the date of prepayment or from such other sources as the Lender, in its reasonable discretion, shall deem appropriate). If such discounted value exceeds the Principal Sum being prepaid, then the prepayment fee shall be an amount equal to such excess. If such discounted value does not exceed the Principal Sum being prepaid, no prepayment fee shall be due and payable. In the absence of manifest error, the amount of the prepayment fee as determined by the Lender shall be deemed presumptively correct.

The prepayment fee shall be due and payable in connection with all prepayments of principal, from whatever sources including, but not limited to, payments made at the voluntary election of the Borrower or any guarantor, payments made as a result of the acceleration of the Loan by the Lender, or payments made as a result of casualty to or the condemnation or the sale, transfer or other disposition of any collateral securing the Loan.

(c) Payment of the indebtedness evidenced by this Note in whole or in part subsequent to an Event of Default shall be deemed to be a prepayment of the Principal Sum subject to any prepayment fee due hereunder.

7. Financing Agreement and Other Financing Documents. This Note is the "Note" described in a Financing and Security Agreement

of even date herewith by and between the Borrower and the Lender (as amended, modified, restated, substituted, extended and renewed at any time and from time to time, the "Financing Agreement"). The indebtedness evidenced by this Note is included within the meaning of the term "Obligations" as defined in the Financing Agreement. The term "Financing Documents" as used in this Note shall mean collectively this Note, the Financing Agreement and any other instrument, agreement, or document previously, simultaneously, or hereafter executed and delivered by the Borrower and/or any other person, singularly or jointly with any other person, evidencing, securing, guaranteeing, or in connection with the Principal Sum, this Note and/or the Financing Agreement. The term "Loan" as used in this Note shall have the meaning ascribed to it in the Financing Agreement.

8. Security. This Note is secured as provided in the Financing Agreement.

9. Events of Default. The occurrence of any one or more of the following events shall constitute an event of default (individually, an "Event of Default" and collectively, the "Events of Default") under the terms of this Note:

(a) The failure of the Borrower to pay to the Lender when due any and all amounts payable by the Borrower to the Lender under the terms of this Note, provided that should the Borrower be making payments under this Note via an automatic debit system with the Lender, the Borrower shall have five (5) days after notice is

given to the Borrower by the Lender to make such payment, the failure to do so constituting an Event of Default hereunder; or

(b) The occurrence of an event of default (as defined therein) under the terms and conditions of any of the other Financing Documents.

10. Remedies. Upon the occurrence of an Event of Default, at the option of the Lender, all amounts payable by the Borrower to the Lender under the terms of this Note shall immediately become due and payable by the Borrower to the Lender without notice to the Borrower or any other person, and the Lender shall have all of the rights, powers, and remedies available under the terms of this Note, any of the other Financing Documents and all applicable laws. The Borrower and all endorsers, guarantors, and other parties who may now or in the future be primarily or secondarily liable for the payment of the indebtedness evidenced by this Note hereby severally waive presentment, protest and demand, notice of protest, notice of demand and of dishonor and non-payment of this Note and expressly agree that this Note or any payment hereunder may be extended from time to time without in any way affecting the liability of the Borrower, guarantors and endorsers.

11. Confessed Judgment. Upon the occurrence of an Event of Default, the Borrower hereby authorizes and empowers any attorney of record or the Prothonotary or Clerk of any court in the Commonwealth of Pennsylvania to appear for the Borrower in any court in the Commonwealth of Pennsylvania in any action brought against the Borrower by the Lender with respect to the aggregate

amounts payable hereunder, with or without declaration filed, as of any term, and therein to confess or enter judgment against the Borrower for, and in the amounts of, the balance then due under the Note, all accrued and unpaid interest thereon, all other amounts payable by the Borrower to the Lender under the terms of this Note, as evidenced by an affidavit signed by a duly authorized designee of the Lender setting forth such amounts then due from the Borrower to the Lender, plus attorneys' fees of fifteen percent (15%) of the unpaid Principal Sum, with costs of suit, release of procedural errors and without right of appeal. If a copy of this Note, verified by an affidavit, shall have been filed in such action, it shall not be necessary to file the original as a warrant of attorney.

The Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of the foregoing power to bring any action or confess judgment therein shall be deemed to exhaust such power, but such power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all amounts payable to the Lender hereunder have been paid in full.

In connection with any judgment entered by confession as provided herein, the Borrower expressly waives its right to notice and demand prior to execution on such judgment.

12. Expenses. The Borrower promises to pay to the Lender on demand by the Lender all costs and expenses incurred by the Lender in connection with the collection and enforcement of this Note,

including, without limitation, reasonable attorneys' fees and expenses and all court costs.

13. Notices. Any notice, request, or demand to or upon the Borrower or the Lender shall be deemed to have been properly given or made when delivered in accordance with Section 10.1 of the Financing Agreement.

14. Miscellaneous. Each right, power, and remedy of the Lender as provided for in this Note or any of the other Financing Documents, or now or hereafter existing under any applicable law or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Note or any of the other Financing Documents or now or hereafter existing under any applicable law, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers, or remedies. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant, or agreement of this Note or any of the other Financing Documents, or to exercise any right, power, or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Lender from exercising any such right, power, or remedy at a later time or times. By accepting payment after the due date of any amount payable under the terms of this Note, the Lender shall not be deemed to waive the right either to require prompt payment when

due of all other amounts payable under the terms of this Note or to declare an Event of Default for the failure to effect such prompt payment of any such other amount. No course of dealing or conduct shall be effective to amend, modify, waive, release, or change any provisions of this Note.

15. Partial Invalidity. In the event any provision of this Note (or any part of any provision) is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note; but this Note shall be construed as if such invalid, illegal, or unenforceable provision (or part thereof) had not been contained in this Note, but only to the extent it is invalid, illegal, or unenforceable.

16. Captions. The captions herein set forth are for convenience only and shall not be deemed to define, limit, or describe the scope or intent of this Note.

17. Applicable Law. The Borrower acknowledges and agrees that this Note shall be governed by the laws of the Commonwealth of Pennsylvania, even though for the convenience and at the request of the Borrower, this Note may be executed elsewhere.

18. Consent to Jurisdiction. The Borrower irrevocably submits to the jurisdiction of any state or federal court sitting in the Commonwealth of Pennsylvania over any suit, action, or proceeding arising out of or relating to this Note or any of the other Financing Documents. The Borrower irrevocably waives, to the

fullest extent permitted by law, any objection that the Borrower may now or hereafter have to the laying of venue of any such suit, action, or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such suit, action, or proceeding brought in any such court shall be conclusive and binding upon the Borrower and may be enforced in any court in which the Borrower is subject to jurisdiction by a suit upon such judgment, provided that service of process is effected upon the Borrower as provided in this Note or as otherwise permitted by applicable law.

19. Service of Process. The Borrower hereby irrevocably designates and appoints the chief financial officer of the Borrower as the Borrower's authorized agent to receive on the Borrower's behalf service of any and all process that may be served in any suit, action, or proceeding instituted in connection with this Note in any state or federal court sitting in the Commonwealth of Pennsylvania. If such agent shall cease so to act, the Borrower shall irrevocably designate and appoint without delay another such agent in the Commonwealth of Pennsylvania satisfactory to the Lender and shall promptly deliver to the Lender evidence in writing of such agent's acceptance of such appointment and its agreement that such appointment shall be irrevocable.

The Borrower hereby consents to process being served in any suit, action, or proceeding instituted in connection with this Note by (i) the mailing of a copy thereof by certified mail, postage

prepaid, return receipt requested, to the Borrower and (ii) serving a copy thereof upon the agent hereinabove designated and appointed by the Borrower as the Borrower's agent for service of process. The Borrower irrevocably agrees that such service shall be deemed in every respect effective service of process upon the Borrower in any such suit, action or proceeding, and shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon the Borrower. Nothing in this Section shall affect the right of the Lender to serve process in any manner otherwise permitted by law or limit the right of the Lender otherwise to bring proceedings against the Borrower in the courts of any jurisdiction or jurisdictions.

20. WAIVER OF TRIAL BY JURY. THE BORROWER HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS NOTE OR (B) THE FINANCING DOCUMENTS. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.

THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE BORROWER, AND THE BORROWER HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THE BORROWER FURTHER REPRESENTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE

WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

21. Good Faith. The requirement under the Pennsylvania Uniform Commercial Code that parties must adhere to standards of good faith shall be applicable to this Note.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed under seal by its duly authorized officers as of the date first written above.

ATTEST:

YORKRAIL, INC.

By: _____ (SEAL)

A:YBT00403.PRN/Yorkrail/Disk1/cmr

PRINCIPAL INSTALLMENTS

<u>Date</u>	<u>Amount</u>
June 1, 1996 through March 1, 1997, inclusive	\$
June 1, 1997 through March 1, 1998, inclusive	
June 1, 1988 through March 1, 2000, inclusive	
June 1, 2000 through March 1, 2001, inclusive	

**FORM OF
SECURITY AGREEMENT AND COLLATERAL
ASSIGNMENT OF AFFILIATE NOTES**

THIS SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT OF AFFILIATE NOTES (this "Agreement") is made as of this _____ day of _____, 199_, by YORKRAIL, INC., a Delaware corporation (the "Pledgor") in favor of THE YORK BANK AND TRUST COMPANY, a Pennsylvania state banking corporation (the "Lender"), witnesseth:

RECITALS

The Pledgor has applied to the Lender for a loan in the principal amount of _____ (the "Financial Accommodations") pursuant to the provisions of a certain Financing and Security Agreement of even date herewith by and between the Lender and the Pledgor (the "Financing Agreement"). The Financial Accommodations are to be evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note of even date herewith from the Pledgor payable to the Lender in the principal amount of the Financial Accommodations (the "Note"). The Lender has required, as a condition to the making of the Financial Accommodations, the execution and delivery of this Agreement by the Pledgor.

NOW, THEREFORE, in order to secure (a) the prompt payment of all past, present, and future indebtedness, liabilities, and obligations of the Pledgor to the Lender of any nature whatsoever in connection with the Financial Accommodations, including, without limitation, the Obligations (as defined in the Financing Agreement) (collectively, the "Pledgor's Liabilities"), and (b) the performance by the Pledgor of all of the terms, conditions, and provisions of this Agreement, the Financing Agreement, the Note, and of any other note, security agreement, pledge agreement, guaranty agreement, mortgage, deed of trust, loan agreement, hypothecation agreement, subordination agreement, indemnity agreement, letter of credit application, assignment, or any other document previously, simultaneously, or hereafter executed and delivered by the Pledgor and/or any other person, singly or jointly with another person or persons, evidencing, securing, guaranteeing, or in connection with any of the Pledgor's Liabilities (collectively, the "Financing Documents"), the Pledgor agrees with the Lender as follows:

1. **Transfer and Assignment.** The Pledgor hereby delivers to and deposits with the Lender, and hereby grants to the Lender, a security interest in and to all of its right, title, and interest in and to (a) the Promissory Note dated _____, 19__ in the original principal amount of \$ _____ executed by _____, a _____ as maker in favor of the Pledgor, a copy of which, together with all modifications and amendments thereto, is attached hereto as Exhibit A (the "Pledged Note"), the Promissory Note dated . . . [repeat for each

Promissory Note] (collectively, the "Pledged Notes"; each such maker being hereinafter individually referred to as a "Maker" and collectively referred to as the "Makers"), (b) all modifications thereto and substitutions and replacements therefor, (c) all of the Pledgor's rights (including, without limitation, the right to receive payments of principal and interest), remedies and privileges under the Pledged Notes, and (d) all cash and non-cash proceeds of the foregoing. The Pledgor has endorsed the Pledged Notes in favor of the Lender.

2. Notice and Direction to Makers. The Pledgor has this date notified each of the Makers of the execution of this Agreement and the pledge of the Pledged Notes to the Lender and has directed the Makers to make all payments of principal and interest due under the Pledged Notes directly to the Lender at its address set forth in Section 15 hereof upon written demand from the Lender. The Pledgor further agrees from time to time to execute any and all assignment or other forms or documents that the Lender may deem necessary or appropriate to assign the Pledged Notes or proceeds thereof to the Lender.

3. Payment and Performance. The Pledgor will pay the Pledgor's Liabilities as and when due and payable and will perform, comply with and observe the terms and conditions of the Financing Documents to be performed, complied with, and observed by the Pledgor.

4. Representations and Warranties of the Pledgor. The Pledgor hereby warrants to the Lender as follows:

(a) The Pledgor has not heretofore transferred, pledged, assigned or otherwise encumbered any of its rights in or to any of the Pledged Notes;

(b) The Pledgor has not done or omitted to do any act so as to be estopped from exercising any of its rights under any of the Pledged Notes;

(c) The Pledgor is not prohibited under any agreement with any other person or entity, or under any judgment or decree, from the execution and delivery of this Agreement or the performance or discharge of the obligations, duties, covenants, agreements, and liabilities contained herein or in any of the Pledged Notes;

(d) No action has been brought or threatened which might prohibit or interfere with the execution and delivery of this Agreement or the performance or discharge of the obligations, duties, covenants, agreements, and liabilities contained herein or in any of the Pledged Notes;

(e) Each of the Pledged Notes is a legal, valid, and binding instruments, payable and enforceable in accordance with its terms;

(f) The Pledged Notes have not been modified or amended, except for the modifications and amendments attached as part of Exhibit A hereto;

(g) The total outstanding balance of each of the Pledged Notes, including principal and interest thereon, on the date hereof is: [List each Pledged Note and corresponding outstanding balance].

(h) Interest on the Pledged Notes has been paid through: [List each Pledged Note and corresponding date].

(i) The Pledgor has full power and authority to execute and deliver this Agreement, and the execution and delivery hereof have been duly authorized and do not violate any provision of its articles of incorporation, by-laws, or shareholder agreements and do not conflict with any partnership agreement to which the Pledgor is a party or any law, order, ordinance, rule, or regulation to which the Pledgor is subject or by which it is bound and do not constitute a default under any of the Pledged Notes or any other agreement or instrument binding upon the Pledgor;

(j) None of the obligations evidenced by any of the Pledged Notes have been subordinated in favor of any party;

(k) There are no liens or other encumbrances affecting any of the Pledged Notes other than those provided in this Agreement;

(l) There exists no uncured default under any of the Pledged Notes; and

(m) Each of the Makers has no right of set-off or defense of any kind or description against the Pledgor as regards the payment of the unpaid principal sum or interest thereon.

5. Covenants of the Pledgor. The Pledgor hereby covenants and agrees as follows:

(a) To perform or discharge each and every obligation, duty, condition, covenant, or agreement applicable to the Pledgor contained in each of the Pledged Notes;

(b) Not to renew, extend, modify, amend, or transfer, assign, pledge or otherwise dispose of any of the Pledged Notes, and not to grant any consents, waivers, or releases therefrom or with respect thereto, without the prior written consent of the Lender in each case;

(c) To appear in and defend any action arising out of or in any manner related to any of the Pledged Notes; and

(d) To execute and deliver such other documentation and such further assurances as the Lender shall from time to time require in order to preserve and maintain the security provided hereby.

6. Collection of Sums Due Under Pledged Notes. The Lender shall have the right to make collections hereunder of payments due under any of the Pledged Notes upon written demand to the Pledgor and the respective Maker and/or Makers following the occurrence of an Event of Default hereunder. Any moneys received by the Lender shall be applied to the Pledgor's Liabilities in such order and manner of application as the Lender may from time to time determine in its sole discretion. Until such written demand, the Pledgor shall diligently collect all payments due under the Pledged Notes and maintain accurate records covering all payments and collections thereunder. The Pledgor agrees that any such demand by the Lender to any Maker shall be sufficient to warrant payment by such Maker directly to the Lender of the sums due under such Maker's Pledged Note, without the necessity of further consent by the Pledgor.

All payments received by the Pledgor under the Pledged Notes after such written demand by the Lender, whether the same shall constitute ordinary installments of principal and/or interest or shall result from the institution by the Pledgor of collection efforts in connection with the enforcement of rights and remedies under the Pledged Notes, shall be paid by the Pledgor to the Lender immediately upon receipt thereof for application by the Lender to the Pledgor's Liabilities in such order and manner of application as the Lender may from time to time determine in its sole discretion.

7. Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") under this Agreement:

(a) failure of the Pledgor to perform, observe, or comply with any of the provisions of this Agreement; or

(b) the occurrence of an Event of Default (as defined therein) under any of the other Financing Documents.

8. Rights of the Lender upon Default. Upon the occurrence of an Event of Default hereunder (and in addition to all of its other rights, powers and remedies under this Agreement), the Lender may, at its option, without notice to the Pledgor or any other party, do any one or more of the following:

(a) Proceed to perform or discharge any and all of the Pledgor's obligations, duties, responsibilities, or liabilities and exercise any and all of its rights under, the Pledged Notes for

such period of time as the Lender may deem appropriate, with or without the bringing of any legal action in or the appointment of any receiver by any court;

(b) Do all other acts which the Lender may deem necessary or proper to protect the Lender's security interest in the Pledged Notes and carry out the terms of this Agreement;

(d) Sell the Pledged Notes, or any of them, in any manner permitted by the Pennsylvania Uniform Commercial Code (the "Code"); and upon any such sale of the Pledged Notes, or any of them, the Lender may (i) bid for and purchase the Pledged Notes and apply the expenses of such sale (including, without limitation, attorneys' fees) as a credit against the purchase price or (ii) apply the proceeds of any sale or sales to other persons or entities, in whatever order the Lender in its sole discretion may decide, to the expenses of such sale (including, without limitation, attorneys' fees), to the Pledgor's Liabilities, and the remainder, if any, shall be paid to the Pledgor or to such other person or entity legally entitled thereto; and

(e) Proceed by suit or suits in law or in equity or by any other appropriate proceeding or remedy to enforce payment of the Pledgor's Liabilities or the performance of any term, covenant, condition, or agreement contained herein, and institution of such a suit or suits shall not abrogate the rights of the Lender to pursue any other remedies herein granted or to pursue any other remedy available to the Lender, either at law or in equity.

In addition, and without limiting the generality of the foregoing, if an Event of Default shall have occurred and be then continuing hereunder, the Lender may exercise as to the Pledged Notes and the Financing Documents all of the rights, powers, and remedies of the owner thereof, including, without limiting the generality of the foregoing, the following:

(a) the right to declare the entire unpaid balance of the Pledged Notes immediately due and payable upon a default or event of default on the part of the Maker under the Pledged Note; and

(b) the right to receive the unpaid balance or any part thereof or any interest becoming due and payable thereupon of any of the Pledged Notes, and upon receipt of the entire unpaid indebtedness evidenced by any of the Pledged Notes to execute, acknowledge, and deliver in its own name and on behalf of the Pledgor, a satisfaction of any of the Pledged Notes, or an assignment thereof in form to be recorded, and to retain for its own use the sums so received by it and to apply such sums on account of the Pledgor's Liabilities.

The Lender shall have all of the rights and remedies of a secured party under the Pennsylvania Uniform Commercial Code and other applicable laws.

All costs and expenses, including attorneys' fees and expenses, incurred or paid by the Lender in exercising or protecting any interest, right, power, or remedy conferred hereby, shall bear interest at a per annum rate of interest equal to the rate applied to Enforcement Costs (as defined in the Financing Agreement).

The Pledgor hereby constitutes the Lender as the attorney-in-fact of the Pledgor to take such actions and execute such documents as the Lender may deem appropriate in the exercise of the rights and powers granted to the Lender in this Agreement. The power of attorney granted hereby shall be irrevocable and coupled with an interest and shall terminate only upon the payment in full of the Pledgor's Liabilities and the termination of any further obligation of the Lender to make any advances or extensions of credit to the Pledgor under the Financing Agreement. The Pledgor shall indemnify and hold the Lender harmless for all losses, costs, damages, fees, and expenses suffered or incurred in connection with the exercise of this power of attorney and shall release the Lender from any and all liability arising in connection with the exercise of this power of attorney.

9. Deficiency. If the sale or other disposition of the Pledged Notes fails to satisfy the Pledgor's Liabilities, the Pledgor shall remain liable to the Lender for any deficiency.

10. Indemnification. The Lender shall not in any way be responsible for the performance or discharge of, and the Lender does not hereby undertake to perform or discharge of, any obligation, duty, responsibility, or liability of the Pledgor under any of the Pledged Notes or otherwise. The Pledgor hereby agrees to indemnify the Lender and hold the Lender harmless from and against all losses, liabilities, damages, claims, or demands suffered or incurred by reason of this Agreement or by reason of any alleged responsibilities or undertakings on the part of the Lender to perform or discharge any obligations, duties, responsibilities, or liabilities of the Pledgor under any of the Pledged Notes or otherwise. The Lender shall have no duty to collect any amounts due or to become due under any of the Pledged Notes or enforce or preserve the Pledgor's rights thereunder.

11. Termination. Upon payment in full of the Pledgor's Liabilities, and termination of any further obligation of the Lender to make advances or extensions of credit to the Pledgor under the Financing Agreement, this Agreement shall become null and void and the Lender shall forthwith execute appropriate documents so providing and shall return to the Pledgor the Pledged Notes, if they have not been paid in full, with appropriate endorsements

thereon, together with any proceeds thereof held by the Lender and not theretofore applied against the Pledgor's Liabilities.

12. Release. Without prejudice to any of the Lender's rights under this Agreement, the Lender may take or release other security for the payment of the Pledgor's Liabilities, may release any party primarily or secondarily liable therefor, and may apply any other security held by the Lender to the satisfaction of the Pledgor's Liabilities.

13. Remedies Cumulative. Each right, power, and remedy of the Lender as provided for in this Agreement or in the other Financing Documents or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Financing Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers, or remedies.

14. Waiver. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant, or agreement of this Agreement or of the other Financing Documents, or to exercise any right, power, or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Lender from exercising any such right, power, or remedy at any later time or times. By accepting payment after the due date of any of the Pledgor's Liabilities, the Lender shall not be deemed to have waived the right either to require payment when due of all other Pledgor's Liabilities or to declare an Event of Default for failure to effect such payment of any such other Pledgor's Liabilities.

15. Notices. All notices, requests and demands to or upon the parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand on a business day, or two (2) days after the date when deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, or when sent by overnight courier, on the business day next following the date on which the notice is delivered to such overnight courier, addressed as follows:

Pledgor: Yorkrail, Inc.
96 S. George Street, 4th Floor
York, Pennsylvania 17401
Attention: Scott F. Ziegler,
Vice President and
Controller

Lender: The York Bank and Trust Company

P.O. Box 869
York, Pennsylvania 17405-0869
Attention: Steven E. Stewart,
Assistant Vice President

Makers: _____

By written notice, each party to this Agreement may change the address to which notice is given to that party, provided that such changed notice shall include a street address to which notices may be delivered by overnight courier in the ordinary course on any business day.

16. Pledgor's Liability Absolute. The liability of the Pledgor under this Agreement shall be direct and immediate and not conditional or contingent upon the pursuit of any remedies against the Pledgor or any other person, nor against other securities or liens available to the Lender, its successors, assigns, or agents. The Pledgor waives any right to require that resort be had to any security or to any balance of any deposit account or credit on the books of the Lender in favor of any other person.

17. Preservation of Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Notes and in preserving rights thereunder if the Lender takes action for those purposes as the Pledgor may reasonably request in writing, provided, that failure to comply with any such request shall not, in and of itself, be deemed a failure to exercise reasonable care, and no failure by the Lender to preserve or protect any rights with respect to any of the Pledged Notes or to do any act with respect to the preservation of the Pledged Notes not so requested by the Pledgor shall be deemed a failure to exercise reasonable care in the custody or preservation of the Pledged Notes.

18. Miscellaneous. The paragraph headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms hereof. Neither this Agreement nor any term, condition, covenant, or agreement hereof may be changed, waived, discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought. This Agreement shall be governed by the laws of the State of Pennsylvania and shall be binding upon the heirs, personal representatives, successors, and assigns of the Pledgor and shall inure to the benefit of the successors and assigns of the Lender. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust, and an organization. Unless varied by this

Agreement, all terms used herein which are defined by the Pennsylvania Uniform Commercial Code shall have the same meanings hereunder as assigned to them by the Pennsylvania Uniform Commercial Code.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be executed under its corporate seal by its duly authorized officer as of the day and year first above written.

ATTEST:

YORKRAIL, INC.

By: _____ (SEAL)
Name:
Title:

A:YBT00412.SEC

EXHIBIT A

[COPIES OF PLEDGED NOTES]

PLACES OF BUSINESS

The Borrower's Chief Executive Office is:

96 S. George Street, 4th Floor
York, Pennsylvania 17401

The Borrower has other places of business at the following addresses:

NONE

The books and records pertaining to the Collateral are located at the following address(es):

96 S. George Street, 4th Floor
York, Pennsylvania 17401

LIENS ON COLLATERAL

<u>Principal Asset Covered</u>	<u>Lienholder</u>	<u>Unpaid Balance</u>
	NONE	

\$750,000
LOAN AND SECURITY AGREEMENT
WITH YORKRAIL, INC.

FORM OF BORROWING CERTIFICATE

I, _____, hereby certify that I am the _____ of Yorkrail, Inc., a Delaware corporation (the "Borrower") and am authorized to make the certifications herein:

(a) This Certificate is given to The York Bank and Trust Company (the "Lender") to induce the Lender on the date hereof to make an advance to the Borrower in the principal amount of \$_____ pursuant to the terms and conditions of the Loan and Security Agreement dated December __, 1994 (the "Agreement") by and between the Borrower and the Lender.

(b) On the date hereof, the Borrower is in compliance with the terms, covenants and conditions set forth in the Agreement which are binding on it.

(c) As of the date hereof, there exists no Event of Default, as defined in Part IX of the Agreement, nor any event which, upon notice or the lapse of time, or both, would constitute such an Event of Default.

(d) On the date hereof, the representations and warranties contained in Part V of the Agreement, are true with the same effect as though such representations and warranties had been made on the date hereof.

(e) After the making of the advance requested by this Certificate, the total aggregate principal amount outstanding under the Agreement will be \$_____.

WITNESS my signature this _____ day of _____, 19__.

(SEAL)

(name and title)

LOCOMOTIVES OWNED BY:

MARYLAND AND PENNSYLVANIA RAILROAD
YORKRAIL, INC. OR
EMONS RAILROAD GROUP, INC.

EMD SW-9 Switcher
Engine #82 Serial No. 15558
1200 H.P.
Built - 1951; Rebuilt - 1992
Brake Equipment - 6 BL

EMD CF-7 Road Switcher
Engine #1500
1500 H.P.
Built - 1946; Rebuilt - 1978
Brake Equipment - 24 RL
Multiple Unit Capability

EMD CF-7 Road Switcher
Engine #1504
1500 H.P.
Built - 1946; Rebuilt - 1978
Brake Equipment - 24 RL
Multiple Unit Capability

EMD GP-9 Road Switcher
Engine #1750 Serial No. 5519-34
1750 H.P.
Built - 1956; Rebuilt - 1990
Brake Equipment - 24 RL
Multiple Unit Capability

EMD GP-9 Road Switcher
Engine #1754 Serial No. 5477-44
1750 H.P.
Built - 1956; Rebuilt - 1991
Brake Equipment - 24 RL
Multiple Unit Capability

EMD SW-9 Switcher
Engine #84 Serial No. 6368-1
1200 H.P.
Built - 1952; Rebuilt - 1993
Brake Equipment - 6 BL
Multiple Unit Capability

EMD CF-7 Road Switcher
Engine #1502
1500 H.P.
Built - 1946; Rebuilt - 1978
Brake Equipment - 24 RL
Multiple Unit Capability

EMD GP-7 Road Switcher
Engine #1506 Serial No. 5250-13
1500 H.P.
Built - 1947
Brake Equipment - 24 RL
Multiple Unit Capability

EMD GP-9 Road Switcher
Engine #1752 Serial No.
1750 H.P.
Built - 1956; Rebuilt - 1991
Brake Equipment - 24 RL
Multiple Unit Capability

EMD GP-9 Road Switcher
Engine #1756 Serial No. 5477-40
1750 H.P.
Built - 1956; Rebuilt - 1992
Brake Equipment - 24 RL
Multiple Unit Capability

DESCRIPTION OF INTELLECTUAL PROPERTY

NONE

FORM OF ASSIGNMENT OF LESSOR'S INTEREST IN LEASES

THIS ASSIGNMENT OF LESSOR'S INTEREST IN LEASES (this "Agreement") is made as of this ____ day of _____, 199__, by YORKRAIL, INC., a Delaware corporation (the "Pledgor"), in favor of THE YORK BANK AND TRUST COMPANY, a Pennsylvania state banking corporation (the "Lender"); witnesseth:

Recitals

The Pledgor has applied to the Lender for a loan in the principal amount of up to _____ (the "Financial Accommodations"). The Financial Accommodations are to be evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note of even date herewith from the Pledgor payable to the Lender in the principal amount of the Financial Accommodations (the "Note"). The Pledgor is the lessor under that certain Equipment Lease dated as of _____, 1994 (the "Lease") between the Pledgor and Maryland and Pennsylvania Railroad Company, as lessee (the "Lessee") pursuant to which the Pledgor has leased certain railroad locomotives to the Lessee (the "Locomotives"). The Lender has required, as a condition to the making of the Financial Accommodations, the execution of this Agreement by the Pledgor.

NOW, THEREFORE, in order to secure (a) the prompt payment of all past, present, and future indebtedness, liabilities, and obligations of the Pledgor to the Lender of any nature whatsoever in connection with the Financial Accommodations (collectively, the "Pledgor's Liabilities"), and (b) the performance by the Pledgor of all of the terms, conditions, and provisions of this Agreement, the Note, and of any other note, security agreement, pledge agreement, guaranty agreement, mortgage, deed of trust, loan agreement, hypothecation agreement, subordination agreement, indemnity agreement, letter of credit application, assignment, or any other document previously, simultaneously, or hereafter executed and delivered by the Pledgor and/or any other person, singly or jointly with another person or persons, evidencing, securing, guarantying, or in connection with any of the Pledgor's Liabilities (collectively, the "Loan Documents"), the Pledgor hereby pledges, assigns, and grants to the Lender a security interest in and assigns to the Lender all now existing or hereafter created leases of all or any portion of the Locomotives (collectively the "Leases"), together with all rents, royalties, issues, income, profits, revenues, other benefits, and security deposits arising from the Leases and the Locomotives and all cash and non-cash proceeds thereof and the proceeds of all insurance policies covering all or any part of such property (all of the foregoing is herein collectively referred to as the "Collateral").

A. TO PROTECT THE SECURITY OF THIS AGREEMENT, PLEDGOR COVENANTS:

1. To observe and perform all of the obligations imposed upon the lessor in the Leases and not to do or permit to be done anything to impair the security thereof; that the Leases are or will be valid and enforceable and that the lessees are not in default under any of the terms thereof; that no rents reserved in the Leases have been anticipated or assigned; not to collect any of the rents, income, and profits arising or accruing from the Locomotives in advance of the time when the same becomes due under the terms of the Leases; not to discount any future accruing rents; not to execute any other assignment of the Leases or assignment of rents of the Locomotives; and not to alter, modify, or change the terms of the Leases or surrender, cancel, or terminate the same, except in the ordinary course of business, without the prior written consent of the Lender.

2. To assign and transfer to the Lender any and all further Leases upon all or any part of the Locomotives and to execute and deliver, at the request of the Lender, all such further assurances and assignments as the Lender shall from time to time require.

B. IT IS MUTUALLY AGREED THAT:

1. Upon the occurrence of an event of default under the Loan Documents, all rents, income, and profits from the Locomotives shall be paid directly to the Lender at 107 West Market Street, York, Pennsylvania 17401, Attention: Steven E. Stewart, Assistant Vice President. Upon the occurrence of an event of default under the Loan Documents, the Pledgor hereby authorizes and directs the lessees under any Leases, including the Lessee under the Lease, to pay all rents, income and profits from the Leases due to the Pledgor under the Leases directly to the Lender and to continue to do so until otherwise notified by the Lender.

2. The Lender shall have the right to apply such rents, income, and profits to the payment of the Pledgor's Liabilities in such order and manner as the Lender may elect in its discretion.

3. The Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty, or liability under the Leases, or under or by reason of this Agreement, and the Pledgor shall and does hereby agree to indemnify the Lender for and to hold the Lender harmless of and from any and all liability, loss, or damage which the Lender may or might incur under the Leases or under or by reason of this Agreement, and of and from any and all claims and demands whatsoever which may be asserted against the Lender by reason of any alleged obligations or undertakings on the Lender's part to perform or discharge any of the terms, covenants, or agreements contained in the Leases. Should the Lender incur any such liability, loss, or damage under the Leases or under or by reason

of this Agreement or in the defense of any such claims or demands, the amount thereof including costs, expenses, and reasonable attorneys' fees shall be secured hereby, and the Pledgor shall reimburse the Lender therefor immediately upon demand, and upon the failure of the Pledgor so to do, the Lender may declare all sums secured hereby immediately due and payable.

4. Upon the payment in full of all indebtedness secured hereby, this Agreement shall become and be void and of no effect, but the affidavit, certificate, letter, or statement of any officer, supervisor, or attorney of the Lender showing any part of said indebtedness to remain unpaid shall be and constitute conclusive evidence (except in an action between Pledgor and the Lender or its assigns) of the validity, effectiveness, and continuing force of this Agreement, and any person may and is hereby authorized to rely thereon.

5. The Lender may take or release other security; may release any party primarily or secondarily liable for any indebtedness secured hereby; may grant extensions, renewals, or indulgences with respect to such indebtedness; and may apply any other security therefor held by it to the satisfaction of such indebtedness without prejudice to any of its rights hereunder.

6. The term "Leases" as used herein means the Leases hereby assigned and any extension or renewal thereof, and any lease subsequently executed by the Pledgor covering the Locomotives or any part thereof.

7. Nothing herein contained and no act done or omitted by the Lender pursuant to the powers and rights granted to the Lender herein shall be deemed to be a waiver by the Lender of its rights and remedies under the Loan Documents, but this Agreement is made and accepted without prejudice to any of the rights and remedies possessed by the Lender under the terms thereof. The right of the Lender to collect the indebtedness and to enforce any other security therefor owned by it may be exercised by the Lender either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

8. In the event the Note is transferred by the Lender to any other person or entity, the Pledgor covenants and agrees that all the provisions herein contained shall be applied to and inure to the benefit of the holder of the Note in the same manner and to the same extent as if it was the original assignee of the Leases herein named.

9. The requirement under the Pennsylvania Uniform Commercial Code that parties must adhere to standards of good faith shall be applicable to this Agreement.

WITNESS the signature and seal of the Pledgor as of the day and year first above written.

ATTEST:

YORKRAIL, INC.

By: _____ (SEAL)

Name:

Title:

COMMONWEALTH OF PENNSYLVANIA, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 1994, before me, the undersigned, a Notary Public of the Commonwealth of Pennsylvania, personally appeared _____, who acknowledged himself to be the _____ of Yorkrail, Inc., a Delaware corporation, known (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized _____ of said corporation by signing the name of the corporation by himself as _____.

AS WITNESS my hand and Notarial Seal.

Notary Public

(SEAL)

My Commission Expires:

A:YBT00406.ASG/Yorkrail/Disk1/cmr

FORM OF AMENDMENT TO FINANCING AND SECURITY AGREEMENT

THIS AMENDMENT TO FINANCING AND SECURITY AGREEMENT (this "Agreement") is made as of this _____ day of _____, 199_, by and between YORKRAIL, INC., a Delaware corporation (the "Borrower"), and THE YORK BANK AND TRUST COMPANY, a Pennsylvania state banking corporation (the "Lender"), witnesseth:

Recitals

A. The Lender made a loan to the Borrower in the principal amount of _____ ("Financial Accommodations") pursuant to the terms and conditions of a Financing and Security Agreement dated December __, 1994 (the "Financing Agreement"), by and between the Borrower and the Lender and as evidenced by a Promissory Note dated December __, 1994, from the Borrower payable to the Lender in the principal amount of the Financial Accommodations (the "Note").

B. The Borrower and the Lender desire to amend certain provisions of the Financing Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lender hereby agree as follows.

1. The facts set forth above are true and accurate in each respect.

2. The Financing Agreement is hereby amended to add the following provision to Article 3 thereof:

As security for the payment of all of the Obligations, the Borrower hereby assigns, grants and conveys to the Lender and agrees that the Lender shall have a perfected security interest in the locomotives described on Exhibit 1 attached hereto and made a part hereof, together with (a) all additions, parts, fittings, accessories, special tools, attachments and accessions now and hereafter affixed thereto and/or used in connection therewith, (b) all replacements thereof and substitutions therefor, and (c) all cash and non-cash proceeds and products thereof.

3. The term "this Agreement" as used in the Financing Agreement shall mean the Financing Agreement as modified herein unless the context clearly indicates or dictates a contrary meaning.

4. The Borrower will execute such confirmatory instruments with respect to the Financing Agreement as the Lender may reasonably require.

5. The Borrower ratifies and confirms all of its existing liabilities and obligations under the Financing Agreement and agrees that, except as expressly modified in this Agreement, the Financing Agreement continues in full force and effect as if set forth specifically herein. The Borrower and the Lender agree that this Agreement shall not be construed as an agreement to extinguish the original obligations under the Financing Agreement or the Note and shall not constitute a novation as to the obligations of the Borrower under the Financing Agreement or the Note.

6. This Agreement may not be amended, changed, modified, altered, or terminated without in each instance the prior written consent of the Lender. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

7. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one agreement.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be executed under seal as of the date first above written.

ATTEST:

YORKRAIL, INC.

By: _____ (SEAL)
Name:
Title:

WITNESS:

THE YORK BANK AND TRUST COMPANY

By: _____ (SEAL)
Name:
Title:

[ATTACH EXHIBIT 1 (DESCRIPTION OF LOCOMOTIVES)]

A:YBT00413.AMN

COMMONWEALTH OF PENNSYLVANIA - UCC3

PARTIES

Debtor name (last name first if individual) and mailing address:

YORKRAIL, INC.
96 S. George Street, 4th Floor
York, PA 17401

1

Debtor name (last name first if individual) and mailing address:

1a

Debtor name (last name first if individual) and mailing address:

1b

Secured Party(ies) of Record name(s) (last name first if individual) and address for security interest information:

THE YORK BANK AND TRUST COMPANY
P.O. Box 869
York, PA 17405-0869

2

Special Types of Parties (check if applicable):

☐ The terms "Debtor" and "Secured Party" mean "Lessee" and "Lessor," respectively.

☐ The terms "Debtor" and "Secured Party" mean "Consignee" and "Consignor," respectively.

☐ Debtor is a Transmitting Utility.

3

SIGNATURE(S)

Debtor Signature(s) (only if Amendment):

YORKRAIL, INC.

Name:

Title:

Secured Party Signature(s):

4

FINANCING STATEMENT CHANGE

Uniform Commercial Code Form UCC-3

IMPORTANT-Please read instructions on reverse side of page 4 before completing

Filing No. (stamped by filing officer):

Date, Time, Filing Office (stamped by filing officer):

5

This Financing Statement Change is presented for filing pursuant to the Uniform Commercial Code, and is to be filed with the (check applicable box):

☐ Secretary of the Commonwealth.

☐ Prothonotary of _____ County.

☐ Real Estate Records of _____ County.

6

Number of Additional Sheets (if any):

7

Optional Special Identification (Max. 10 characters):

8

ORIGINAL FINANCING STATEMENT BEING CHANGED

This Financing Statement Change relates to an original Financing Statement No. _____

filed with the:

☐ Secretary of the Commonwealth on (date) _____

☐ Prothonotary of _____ County on (date) _____

☐ Real Estate Records of _____ County on (date) _____

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DESCRIPTION OF FINANCING STATEMENT CHANGE

☐ Continuation - The original Financing Statement identified above is still effective.

☐ Termination - The Secured Party of Record no longer claims a security interest under the original Financing Statement identified above.

☐ Release - The Secured Party of Record has released the collateral described in block 11 from the collateral covered by the original Financing Statement identified above.

☐ Assignment - The Secured Party of Record has assigned to the Assignee, whose name and address are contained in block 11, rights in the collateral described in block 11 under the original Financing Statement identified above.

☒ Amendment - The original Financing Statement identified above is amended as set forth in block 11 (signatures of Debtor and Secured Party of Record are required).

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Description of collateral released, rights assigned, Assignee (name and address), or amendment (as indicated in block 10):

The following property is hereby added to the Original Financing Statement referenced above:

See Exhibit A attached hereto and made a part hereof.

11

RETURN RECEIPT TO:

John A. Stalfort, Esquire
Miles & Stockbridge, A Professional Corporation
10 Light Street - 9th Floor
Baltimore, Maryland 21202

12

All right, title and interest of the Debtor in and to the following types (or items) of property:

The Locomotives more particularly described below, together with (a) all additions, parts, fittings, accessories, special tools, attachments and accessions now and hereafter affixed thereto and/or used in connection therewith, and (b) all replacements thereof and substitutions therefor, and (c) all proceeds (cash and non-cash, including, without limitation, insurance proceeds) of the foregoing.

Locomotives

A:YBT00411.EXH